



# Commission Workshop MDOT Financial Overview

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September 24, 2003



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# Revenue Sources & Uses



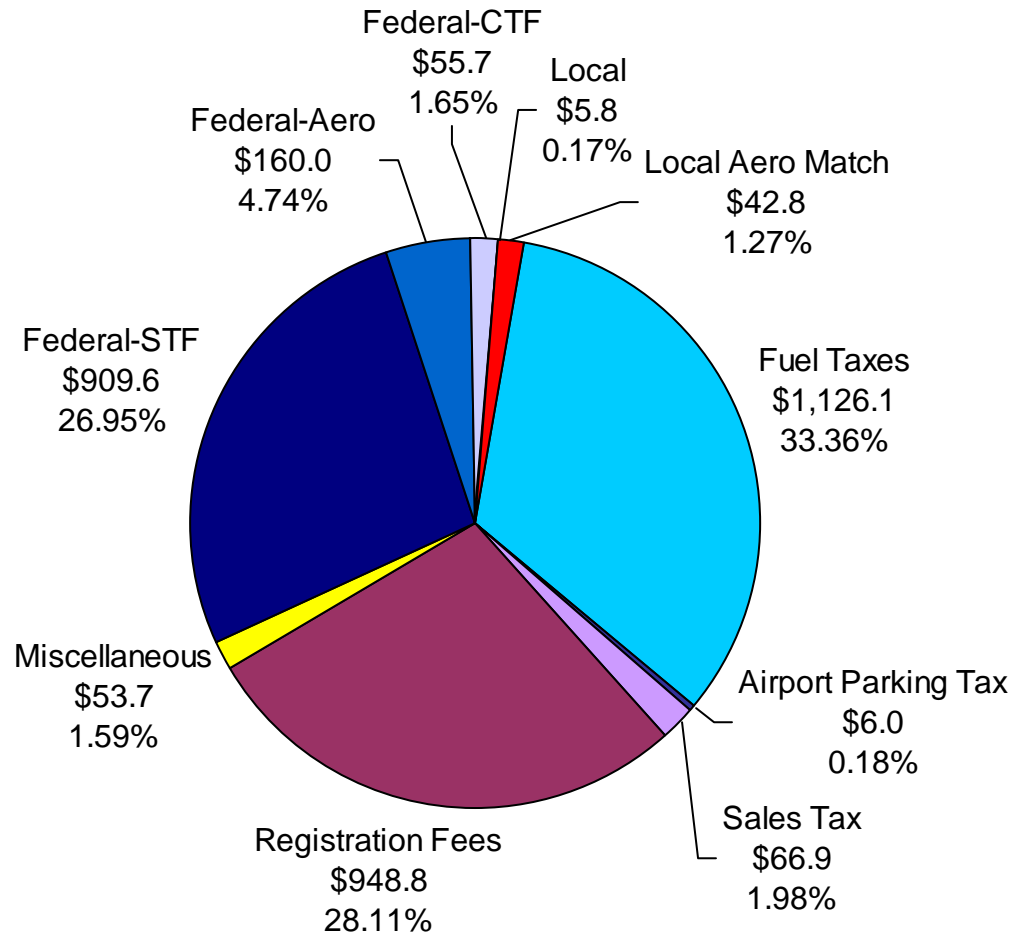
# Four Major Appropriated Funds

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- MTF - Michigan Transportation Fund
- STF – State Trunkline Fund
- CTF – Comprehensive Transportation Fund
- Aeronautics

# Revenue Sources

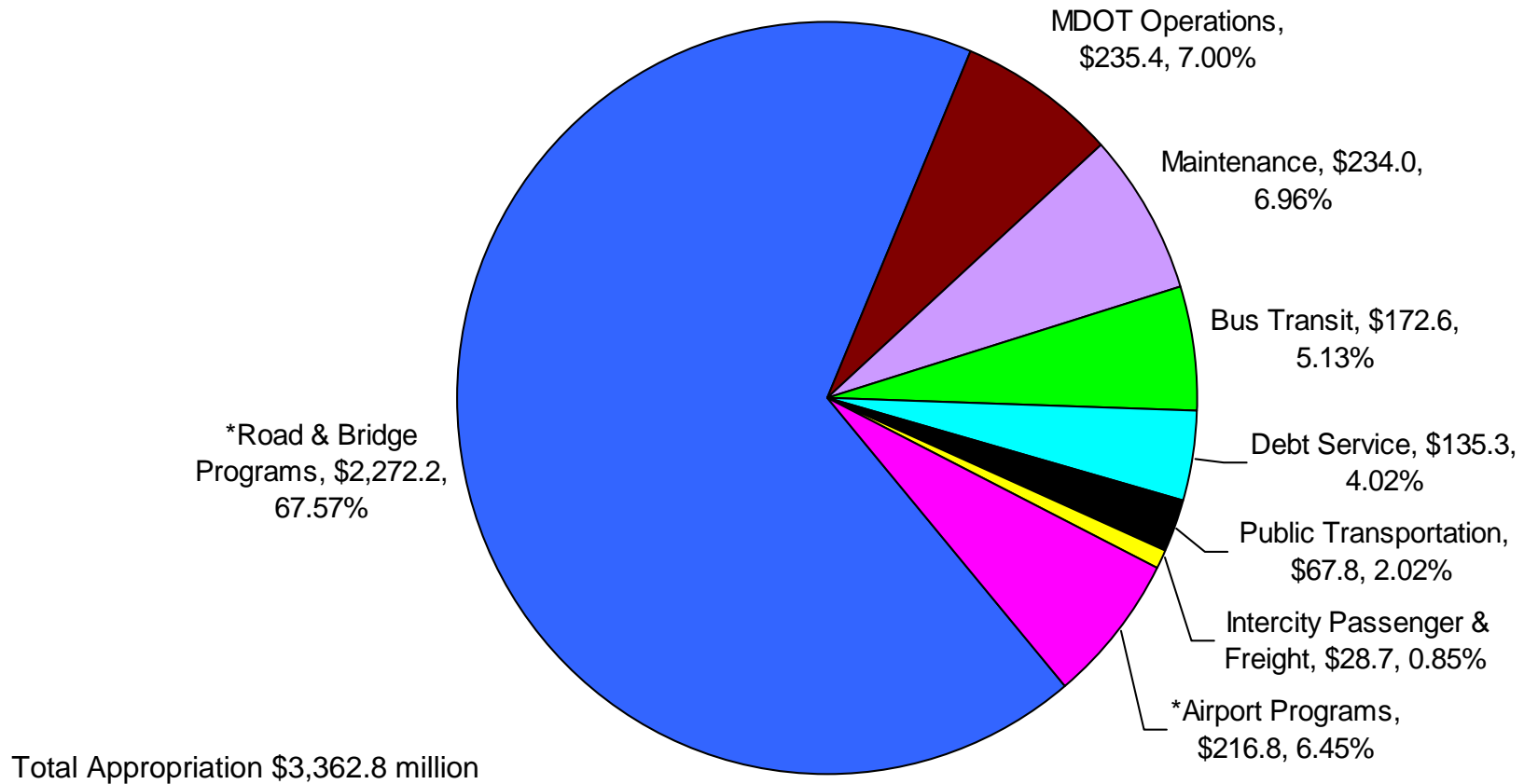
(In millions)



Total Revenue \$3,375.4 million

# Appropriated Expenditures for FY 2004

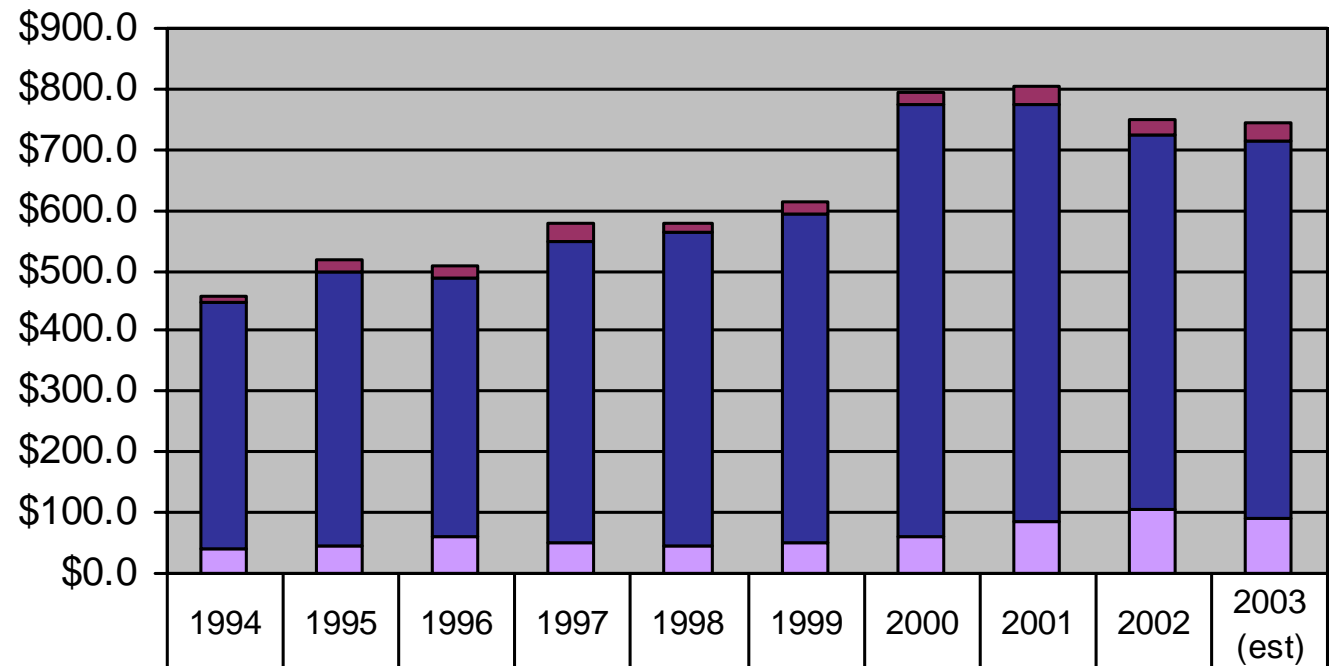
(In millions)



\*Includes the Proposed Capital Outlay Bill

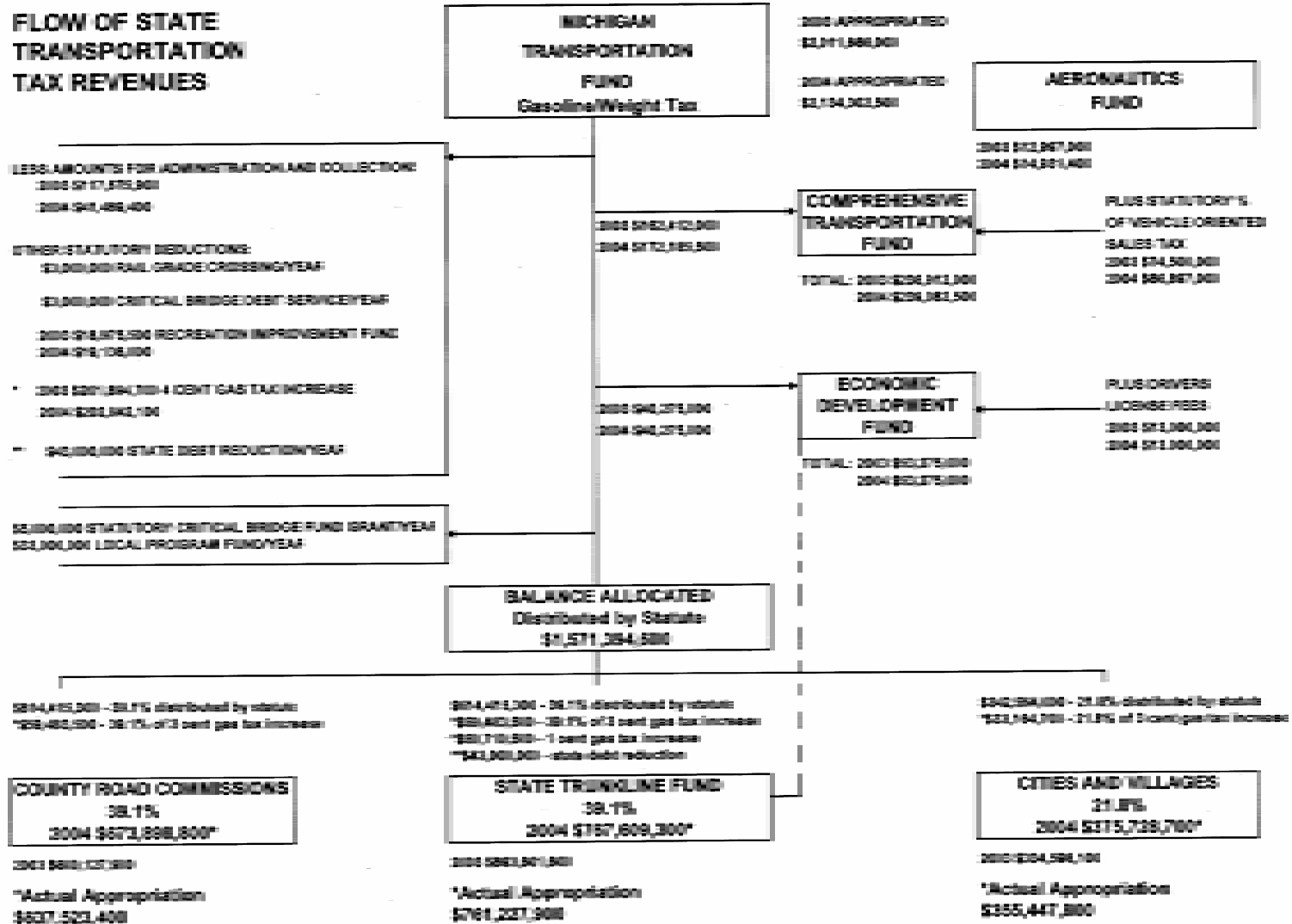
# 10 Year Federal Revenue Trend

(In millions)



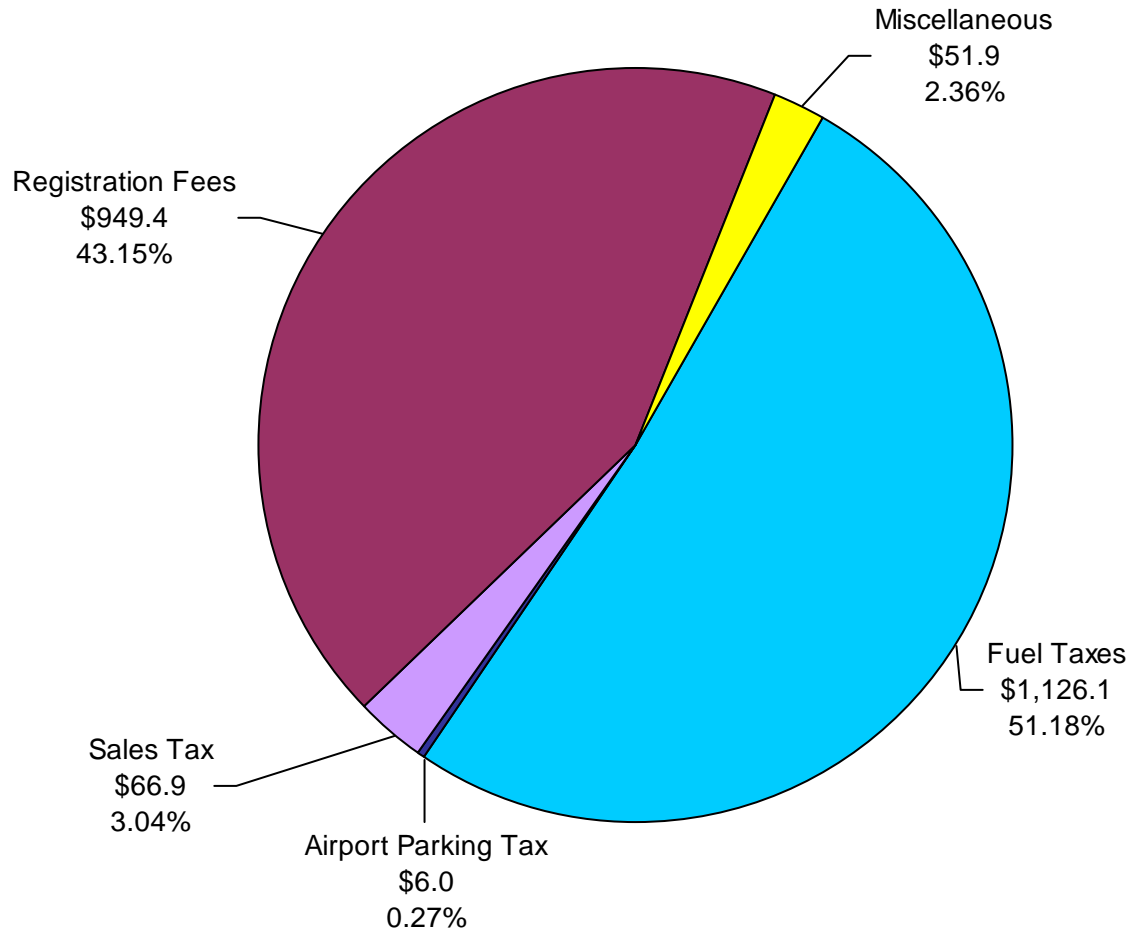
■ Comprehensive Transportation Fund	\$11.1	\$17.9	\$21.7	\$30.1	\$13.2	\$18.6	\$18.0	\$32.0	\$27.8	\$27.0
■ State Trunkline Fund	\$403.7	\$454.9	\$427.9	\$497.2	\$515.8	\$544.5	\$717.3	\$686.4	\$616.5	\$628.0
■ Aeronautics	\$42.2	\$45.3	\$60.3	\$51.4	\$47.6	\$51.1	\$58.5	\$86.6	\$106.1	\$88.0

# Michigan Transportation Fund Formula



# State Revenue Sources

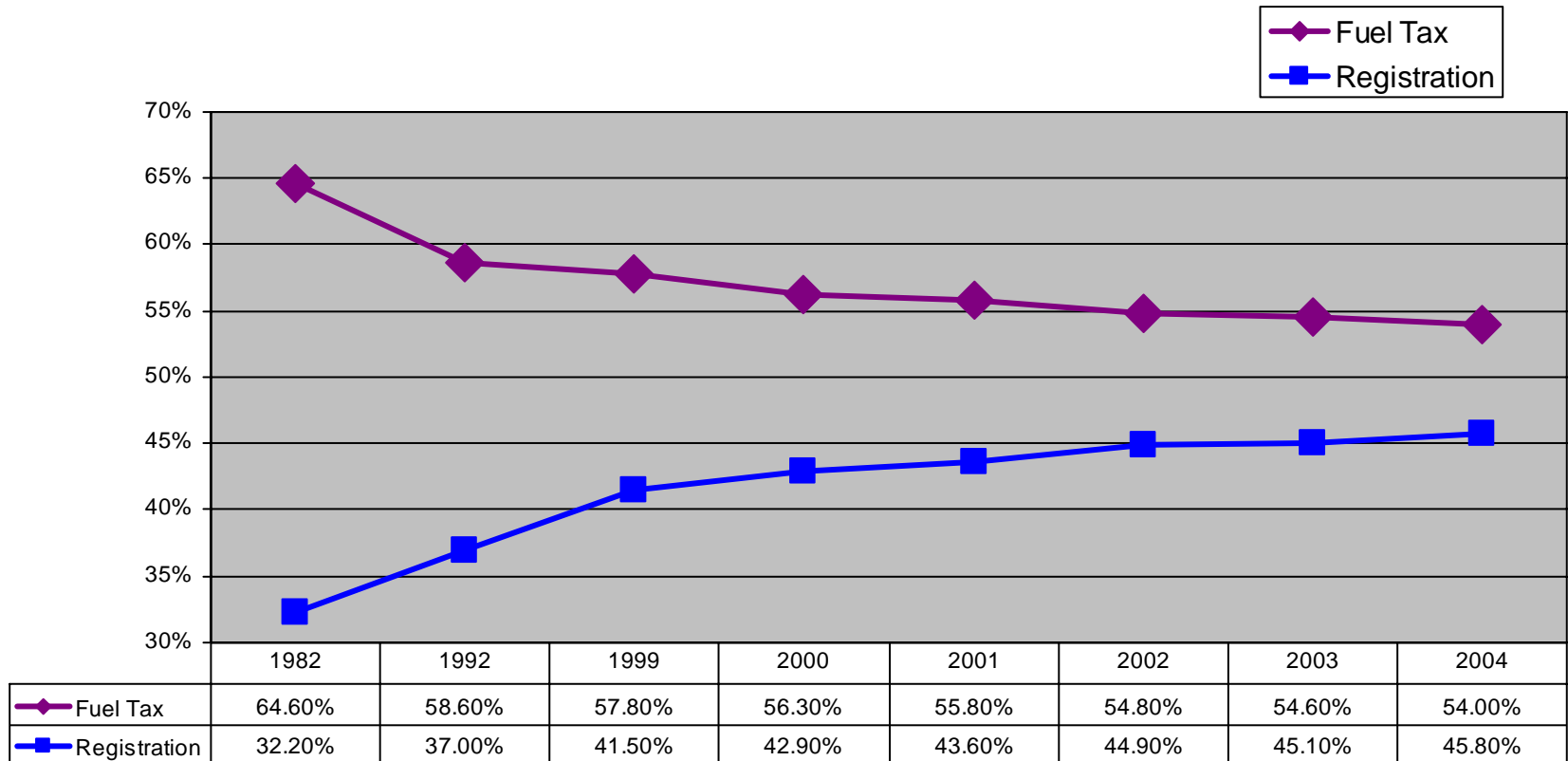
Excludes Federal and Local Revenue  
(In millions)



Total Revenue \$2,200.3 million

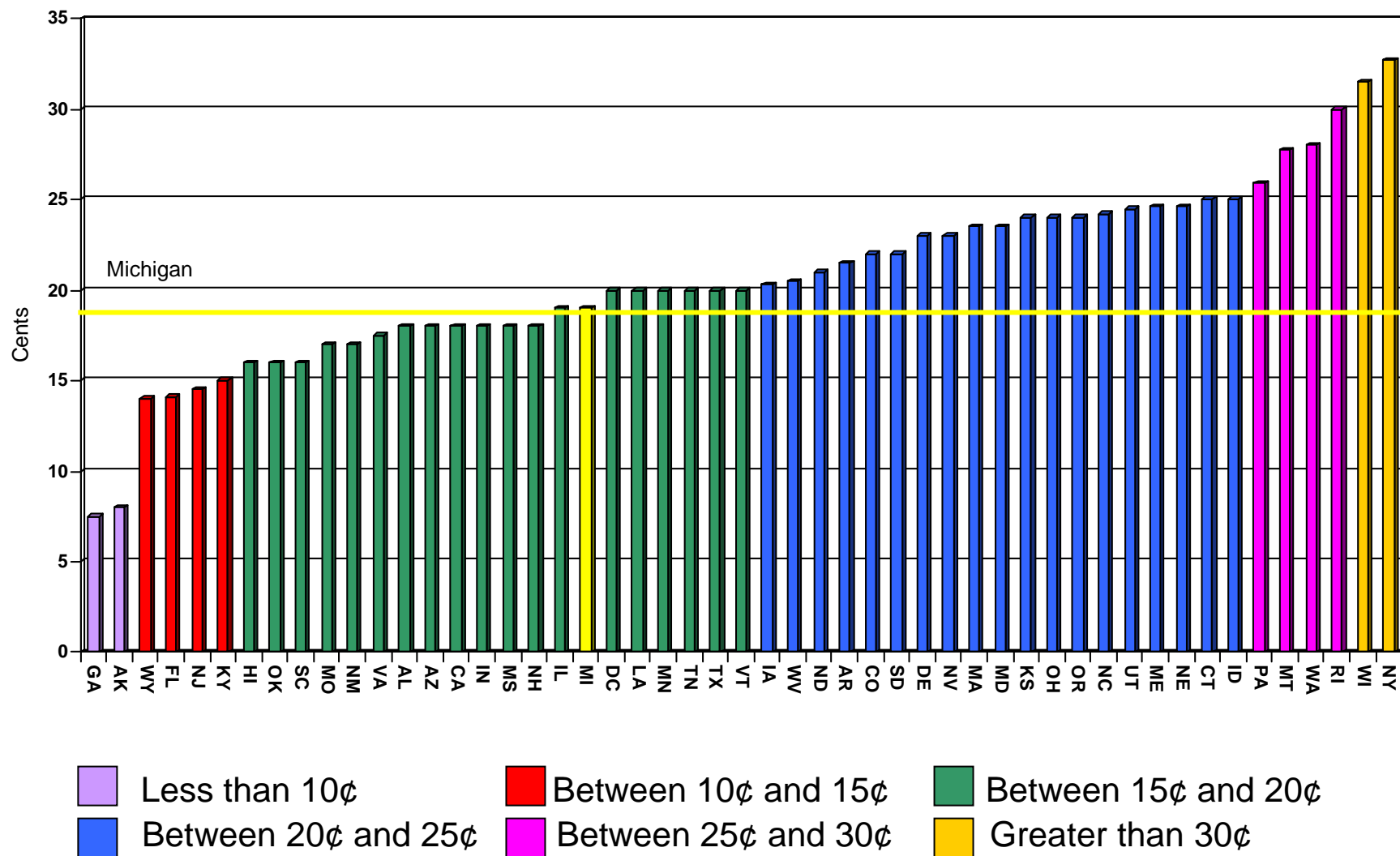


# Mix of Fuel Taxes and Registration Fees in MTF



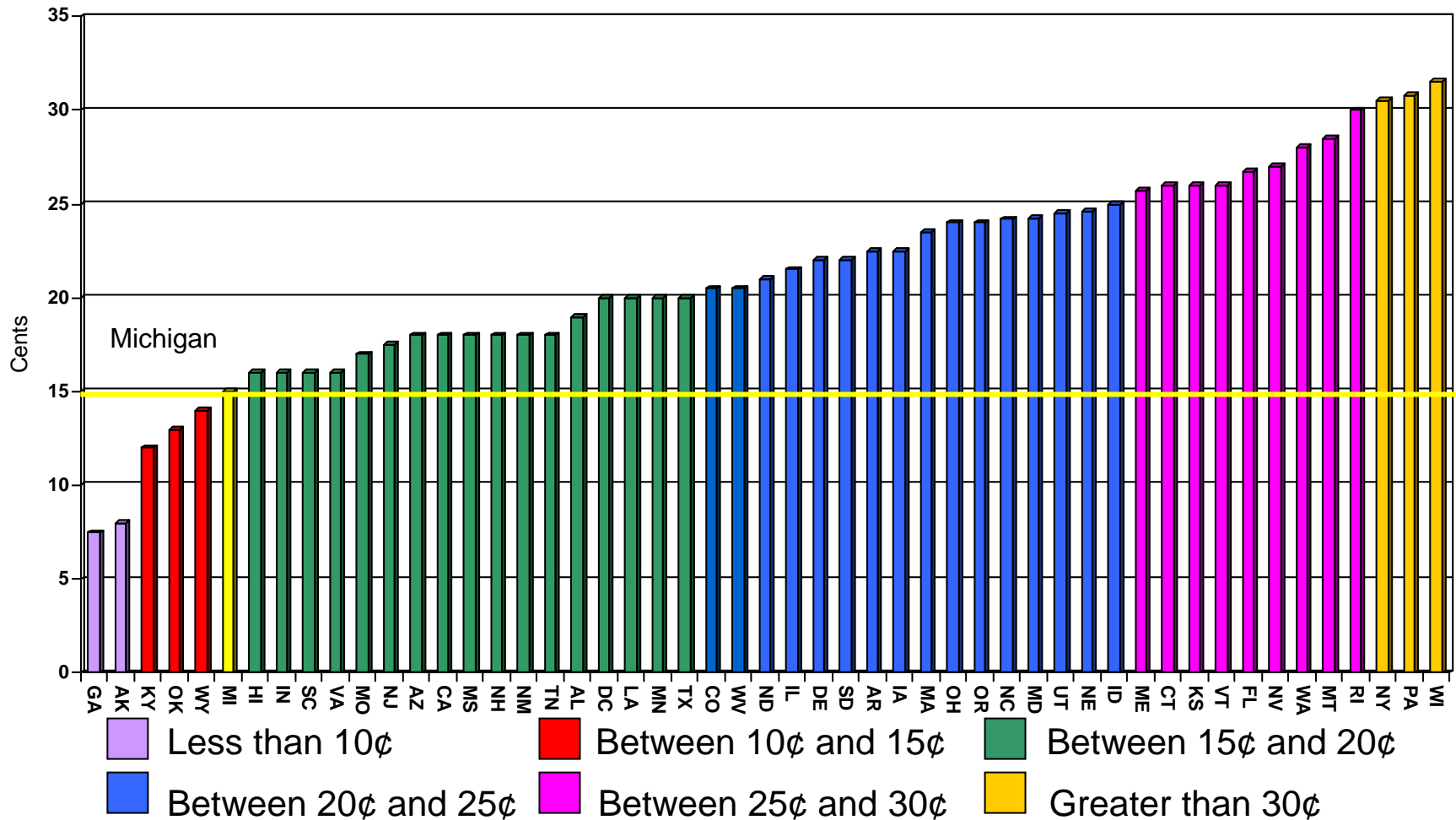
# Comparable Gas Taxes

(effective rates per gallon as of July 2003)

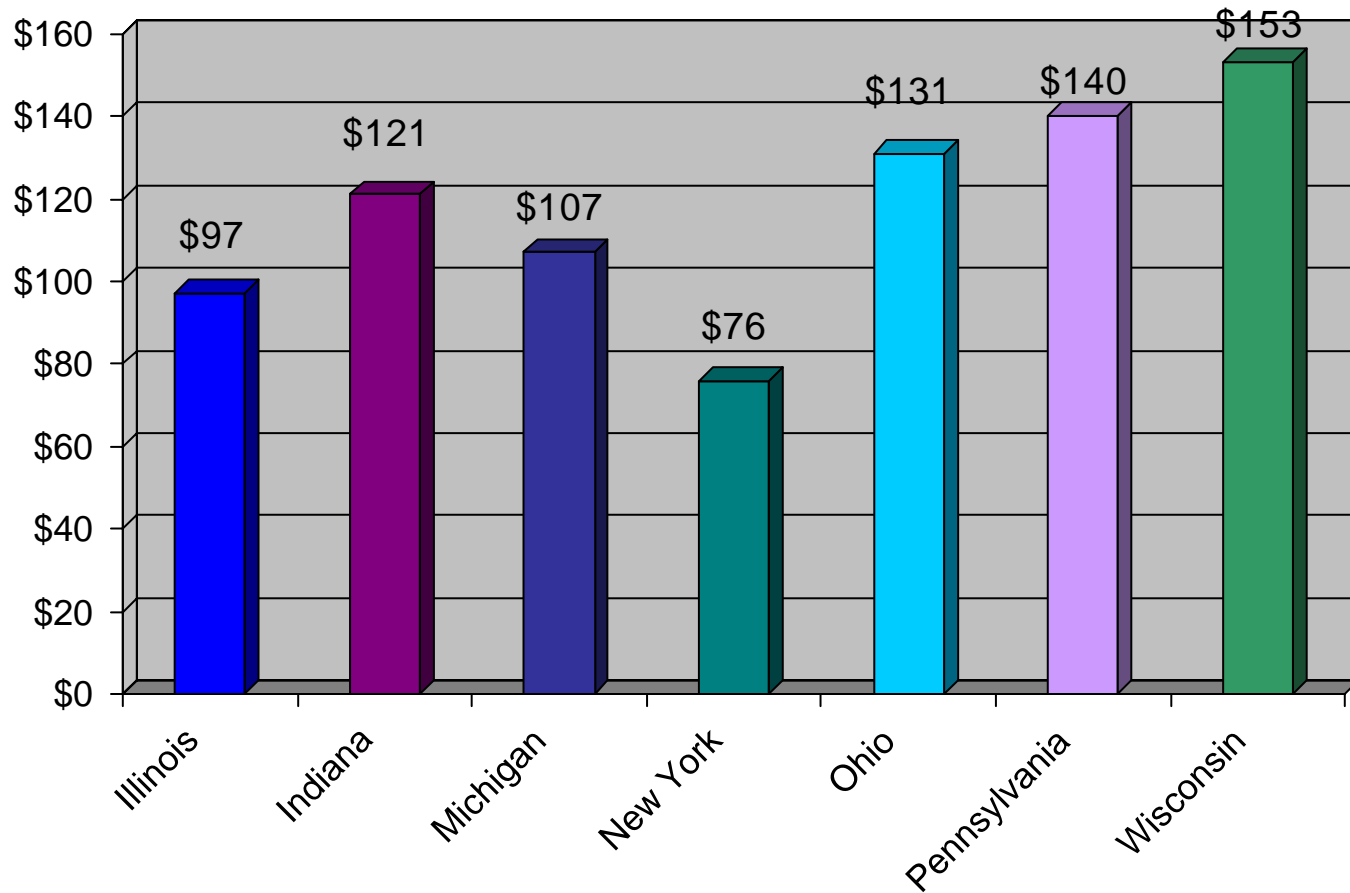


# Comparable Diesel Taxes

(effective rates per gallon as of July 2003)



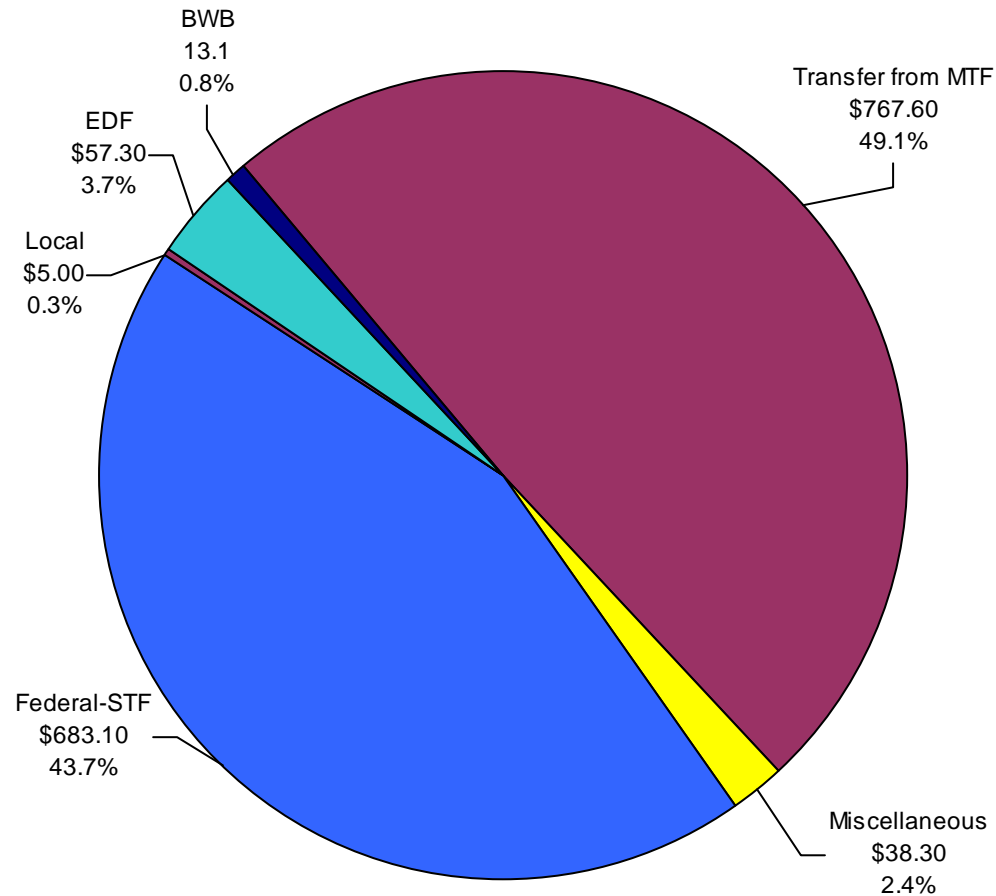
# 2001 Per Capita Motor Fuel



Source: Federal Highway Administration

# Revenue Sources - STF

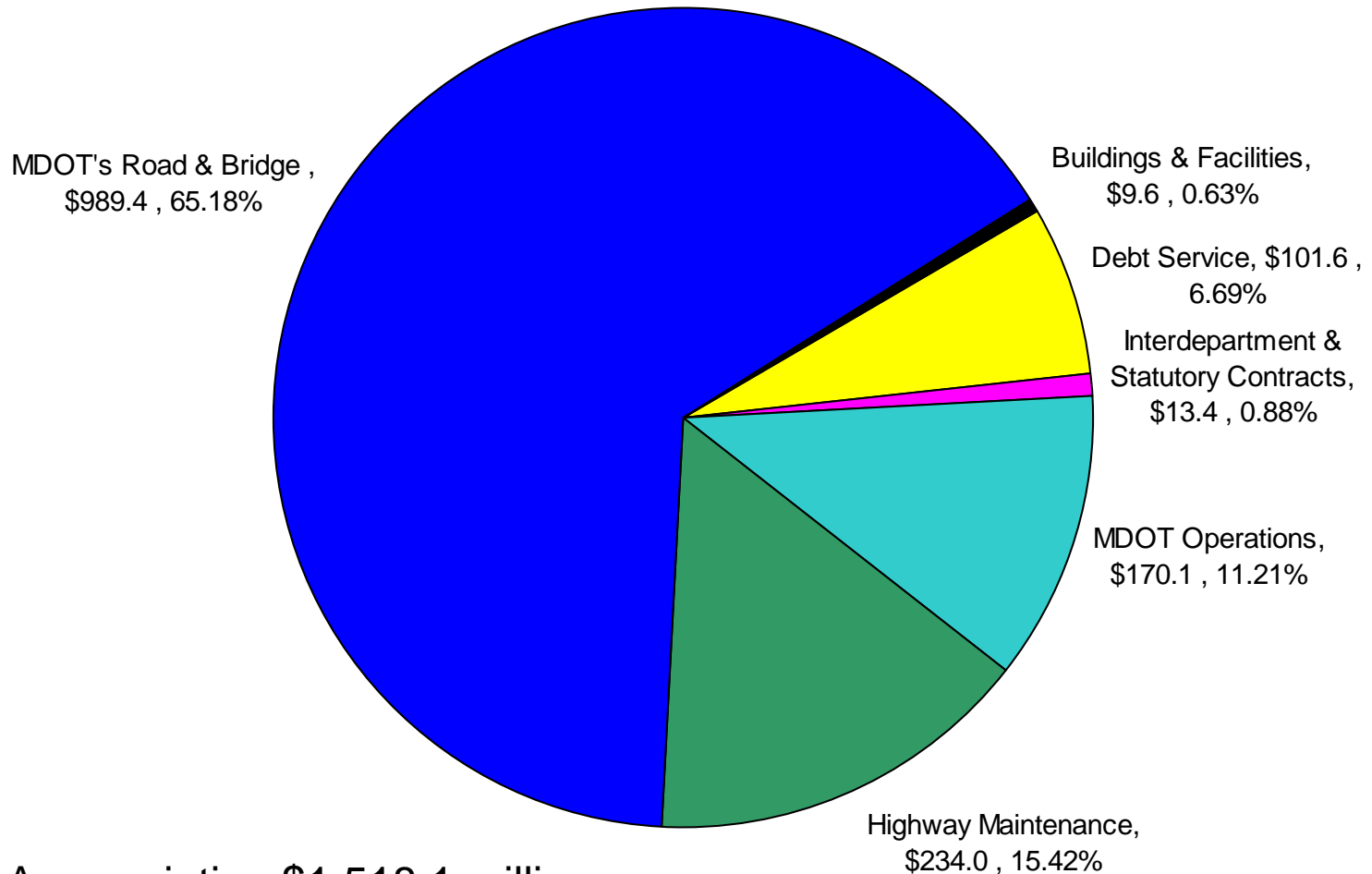
(In millions)



Total Revenue \$1,564.4 million

# State Trunkline Fund

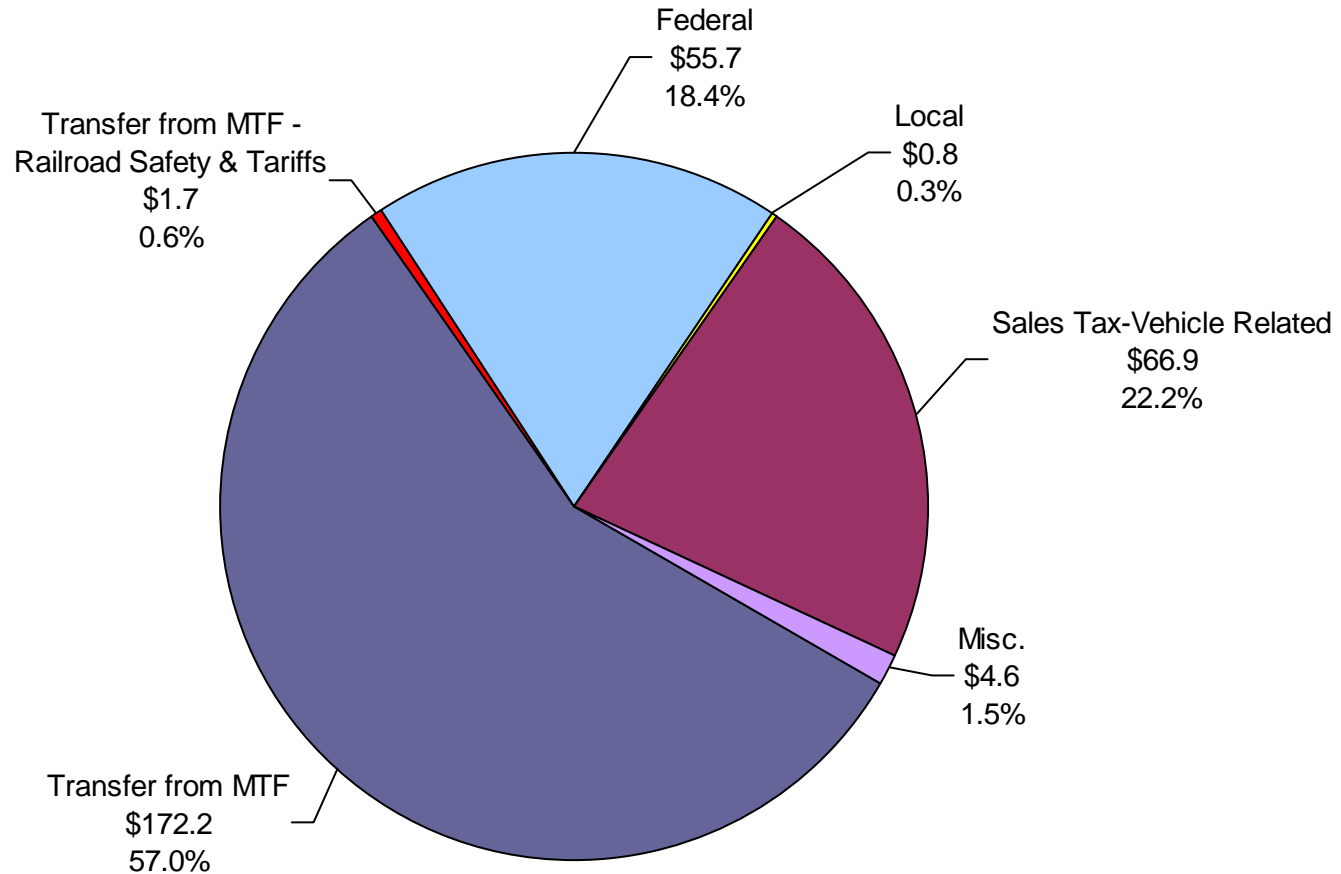
Excluding Local Programs  
(In millions)



Total Appropriation \$1,518.1 million

# Revenue Sources - CTF

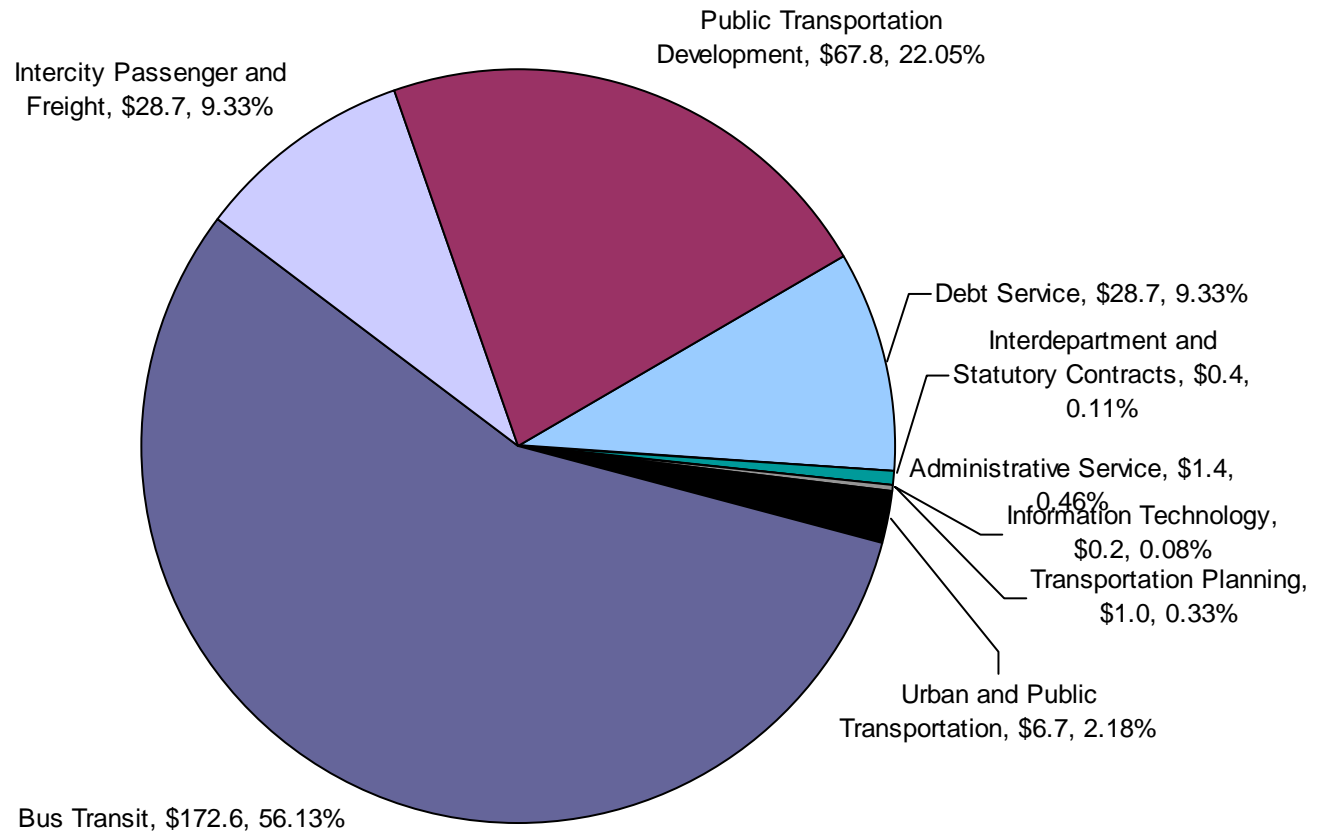
(In millions)



Total Revenue \$301.9 million

# Expenditures – CTF

(In millions)

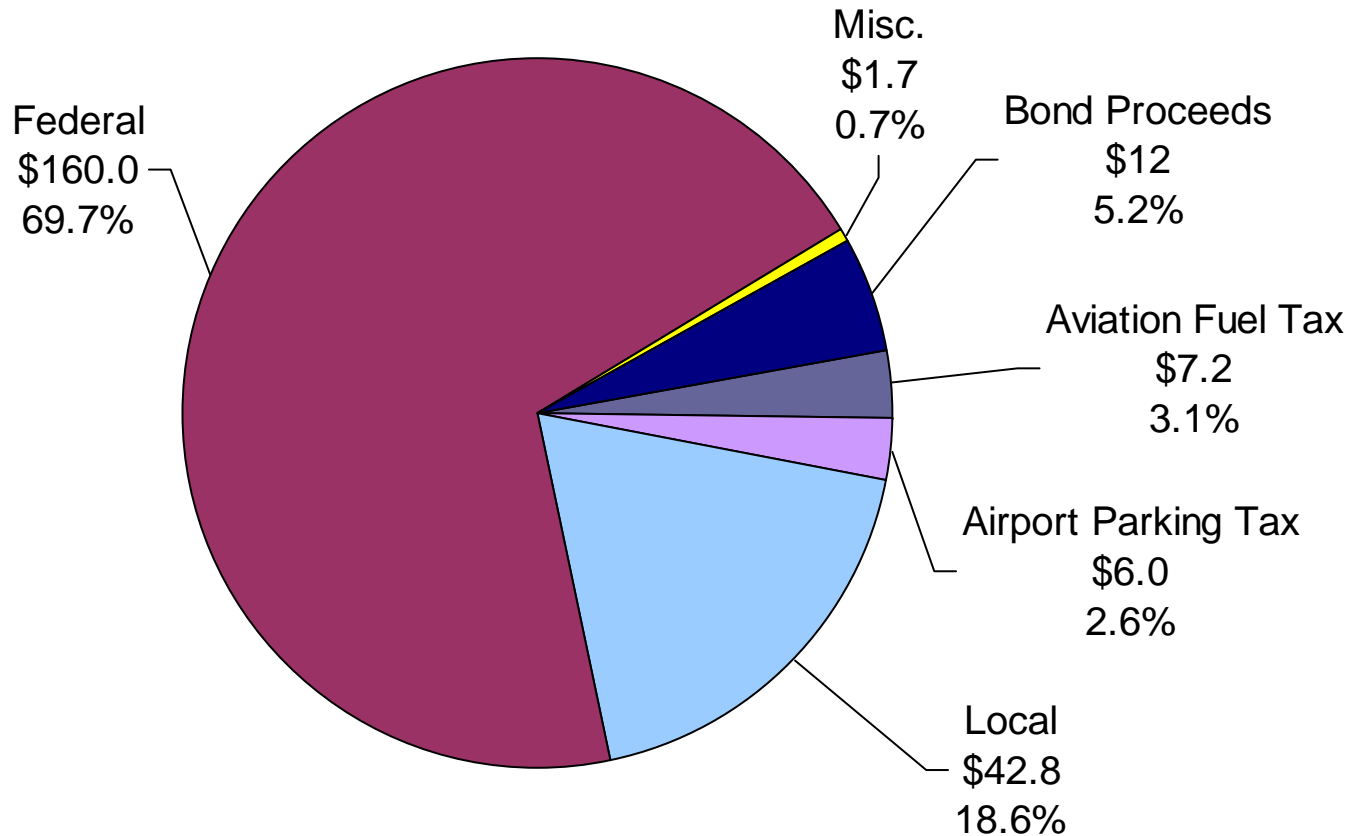


Total Appropriations \$ 307.5 million



# Revenue Sources - Aeronautics

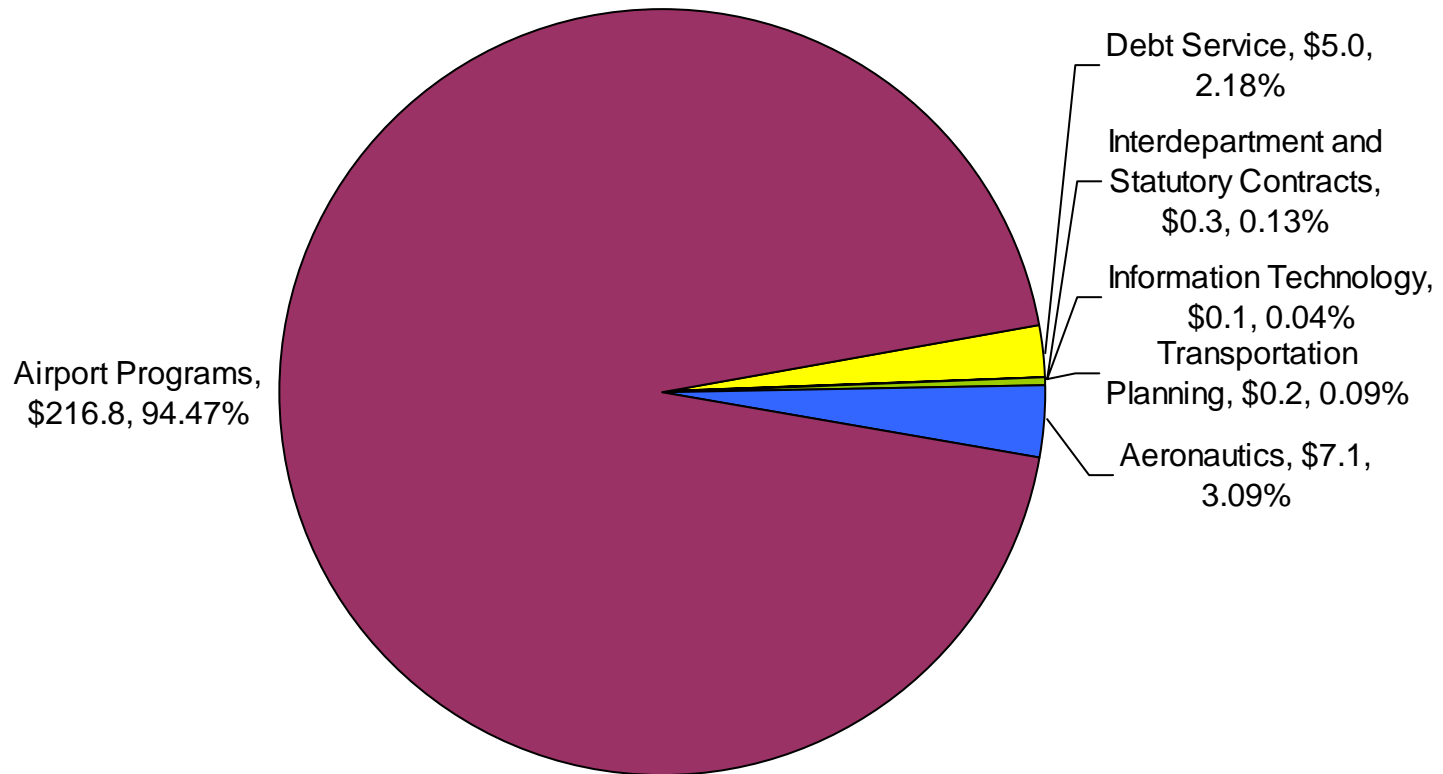
(In millions)



Total Revenue \$229.7 million

# Expenditures – Aeronautics

## (In millions)



Total Appropriations \$229.6 million



# Comparison of Budget Mix State Trunkline Fund

BUDGET ITEMS	FY 1994	% of Total	FY 1999	% of Total	FY 2004	% of Total
<b>MDOT Operations and IT</b>	\$ 122,902,600	17%	\$ 149,585,700	11%	\$ 170,091,200	11%
<b>Grants to Other Agencies</b>	16,108,700	2%	11,408,600	1%	13,381,800	1%
<b>Debt Service</b>	35,342,800	5%	61,017,800	4%	101,555,200	7%
<b>Maintenance</b>	185,349,200	26%	215,106,700	15%	234,028,600	16%
<b>Road and Bridge &amp; Facilities</b>	344,132,250	49%	967,250,300	69%	998,987,500	65%
<b>Total</b>	\$ 703,804,050	100%	\$ 1,404,369,100	100%	\$ 1,518,044,300	100%



# Comparison of Budget Mix Comprehensive Transportation Fund

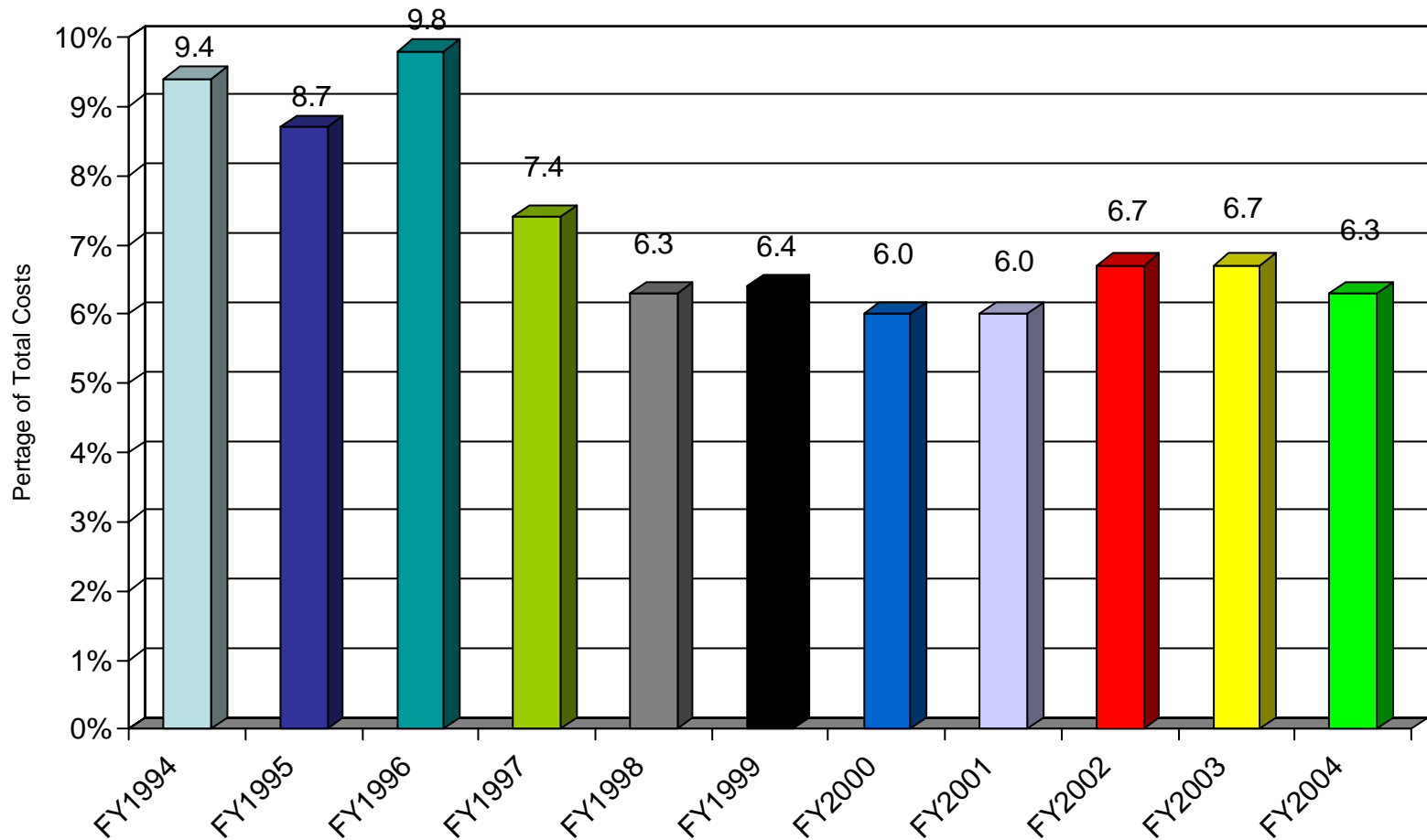
BUDGET ITEMS	FY 1994	% of Total	FY 1999	% of Total	FY 2004	% of Total
<b>UPTRAN Operations</b>	\$ 9,203,300	5%	\$ 8,286,900	3%	\$ 9,307,100	3%
<b>Bus Transit</b>	101,610,900	50%	161,596,200	62%	172,580,000	56%
<b>Intercity Passenger and Freight</b>	19,994,700	10%	26,719,100	10%	28,727,700	9%
<b>Public Transportation Development</b>	50,461,400	25%	40,922,400	16%	67,844,700	22%
<b>Grants to Other Agencies</b>	302,800	0.1%	300,100	0.1%	345,900	0.1%
<b>Debt Service</b>	20,711,100	10%	23,078,900	9%	28,720,500	9%
<b>Total</b>	\$ 202,284,200	100%	\$ 260,903,600	100%	\$ 307,525,900	100%



# Comparison of Budget Mix Aeronautics Fund

BUDGET ITEMS	FY 1994	% of Total	FY 1999	% of Total	FY 2004	% of Total
<b>Aeronautics Operations</b>	\$ 6,085,200	5%	\$ 7,548,500	7%	\$ 6,878,500	3%
<b>Air Service</b>	700,000	1%	1,500,000	1%	600,000	0%
<b>Capital Program</b>	104,386,700	94%	97,640,000	91%	216,789,600	95%
<b>Grants to Other Agencies</b>	260,800	0.2%	283,500	0.3%	297,500	0.1%
<b>Debt Service</b>	-	0%	-	0%	5,000,000	2%
<b>Total</b>	\$ 111,432,700	100%	\$ 106,972,000	100%	\$ 229,566,600	100%

# MDOT ACTUAL ADMINISTRATIVE COSTS





# Questions

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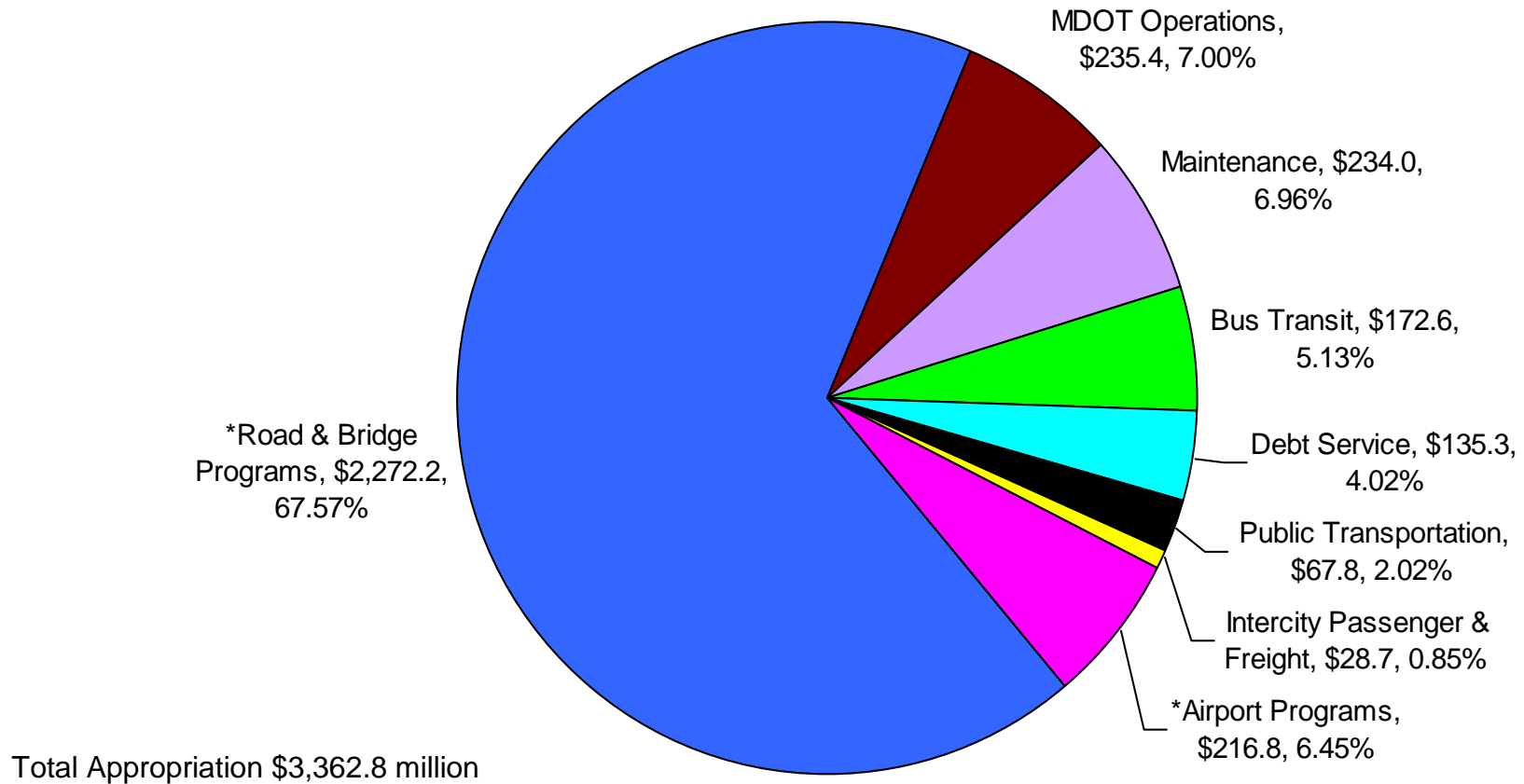
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# Status of Debt Financing



# Appropriated Expenditures for FY 2004

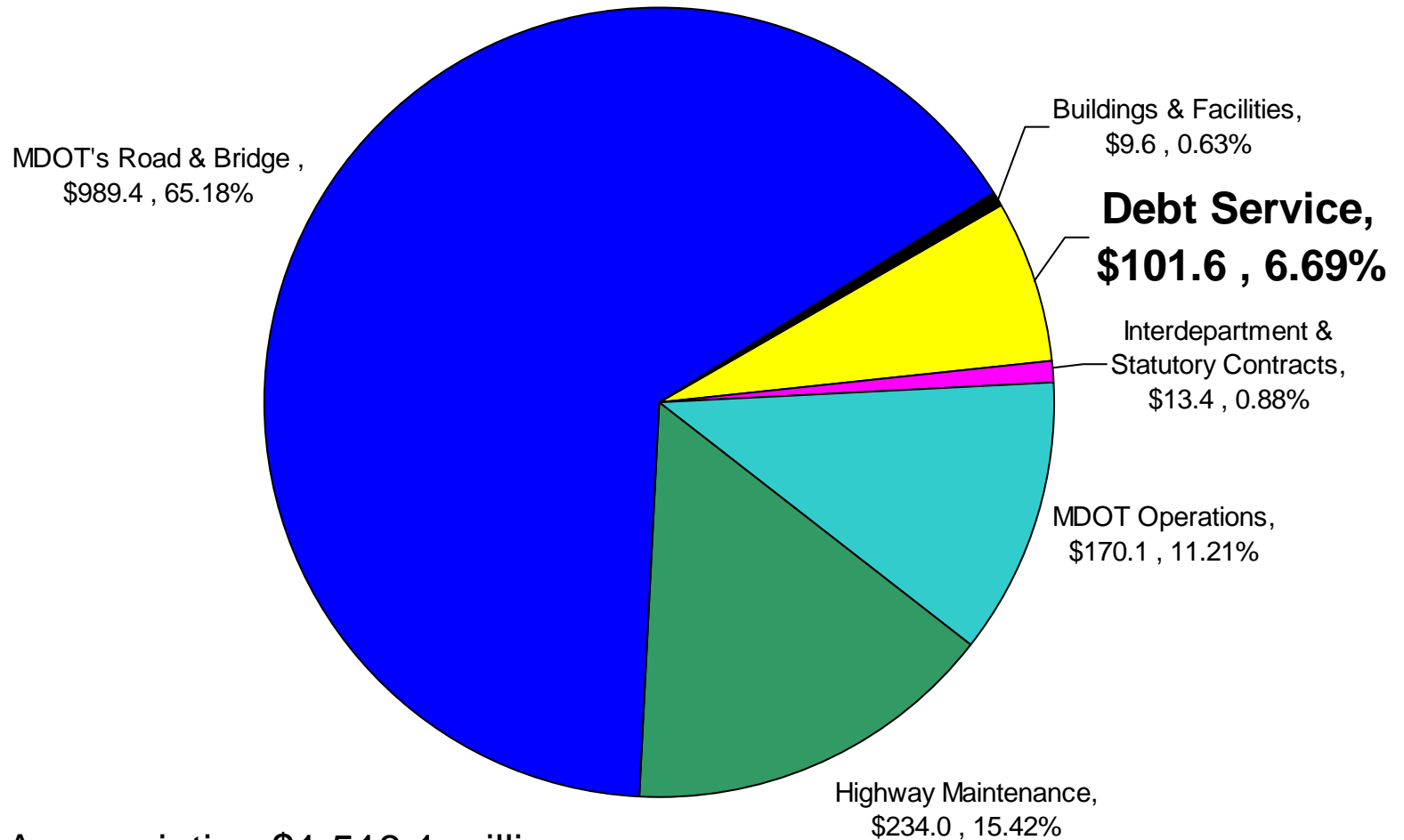
(In millions)



\*Includes the Proposed Capital Outlay Bill

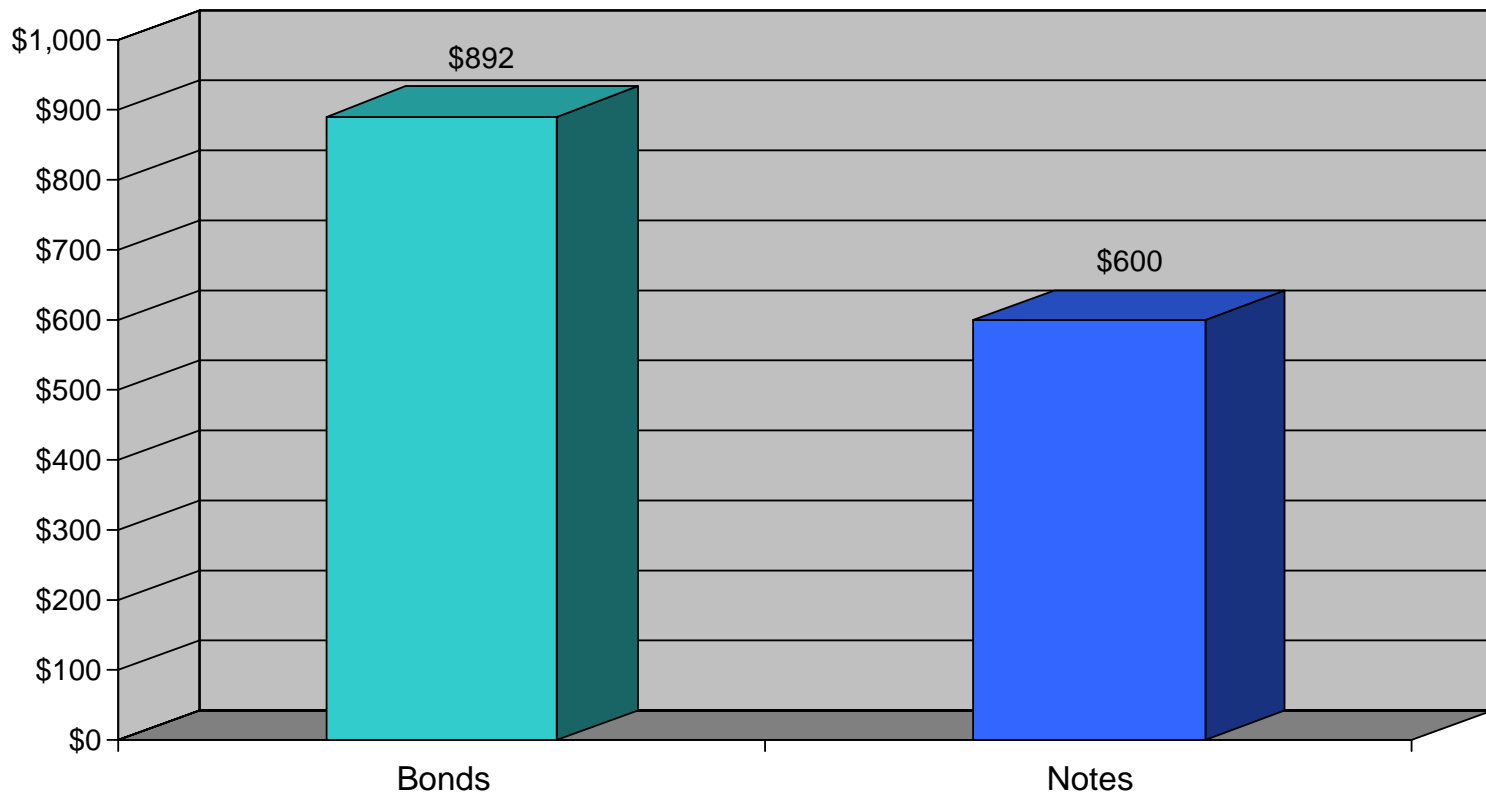
# State Trunkline Fund

Excluding Local Programs  
(In millions)



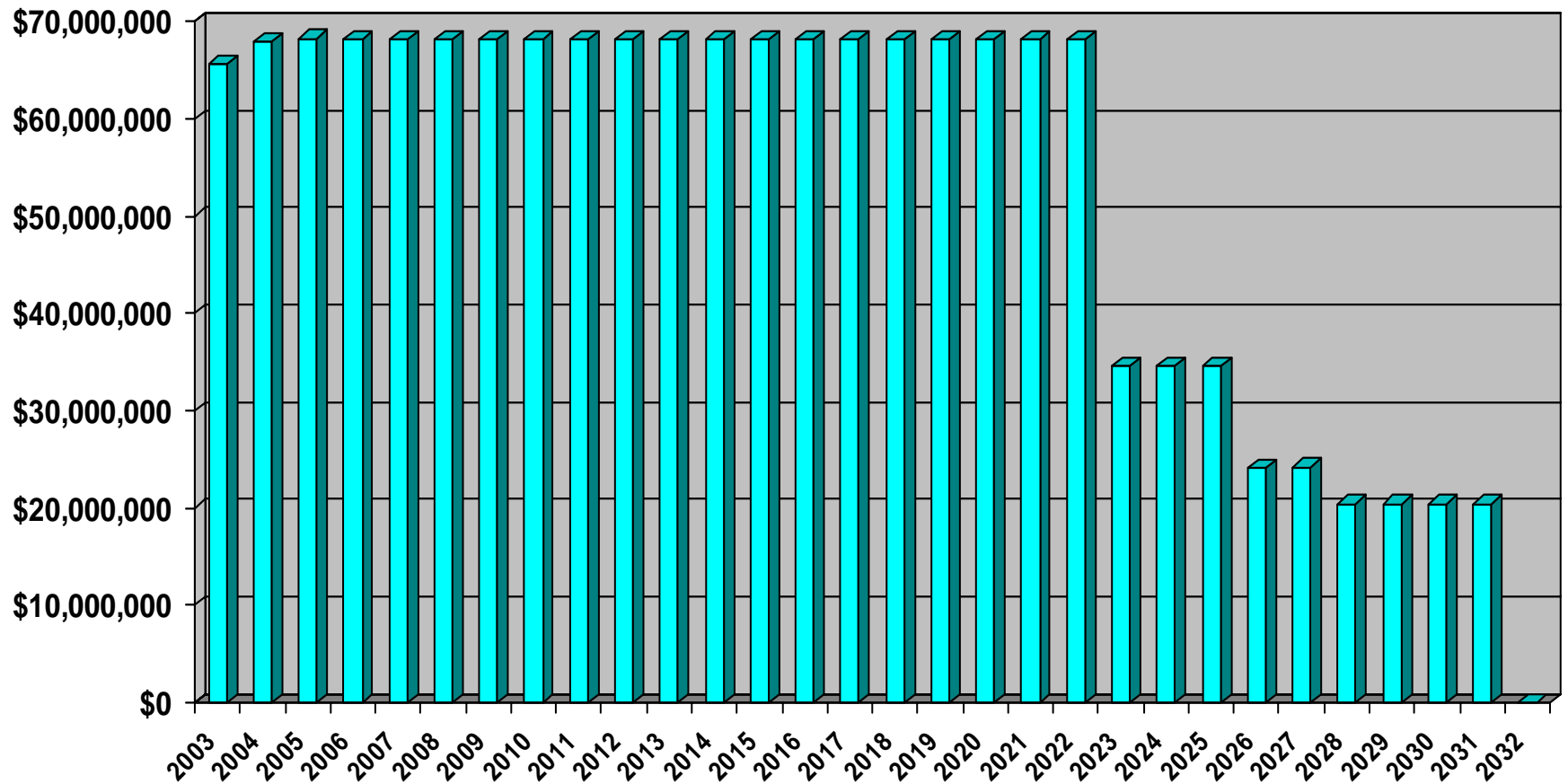
Total Appropriation \$1,518.1 million

# Outstanding Principal-STF (In millions)



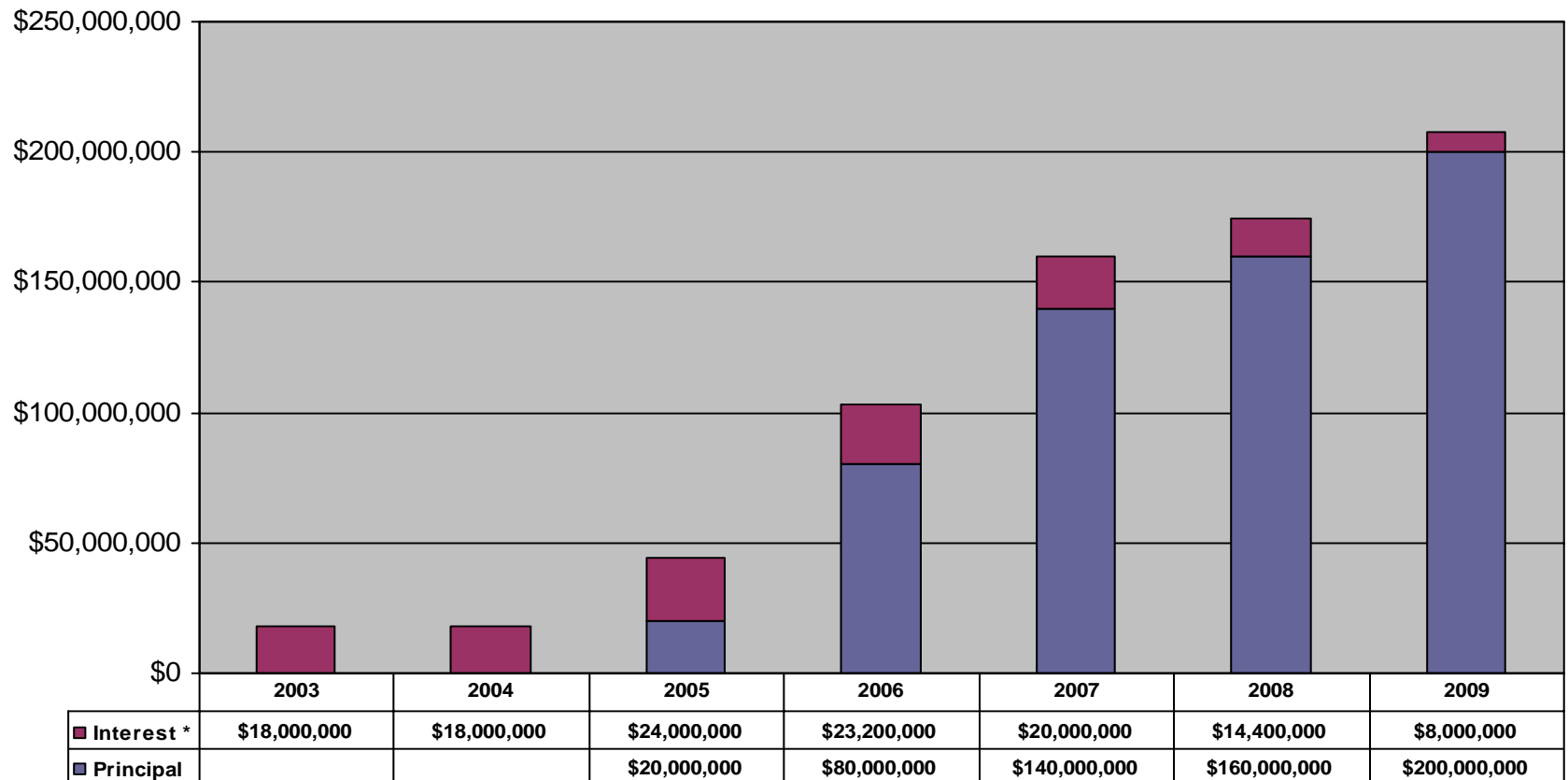
As of 09/30/03 per Debt Service Schedules

# Repayment Schedule for State Trunkline Fund Bond Debt Service (Long Term Bonds only)



As of 09/30/03 per Debt Service Schedules

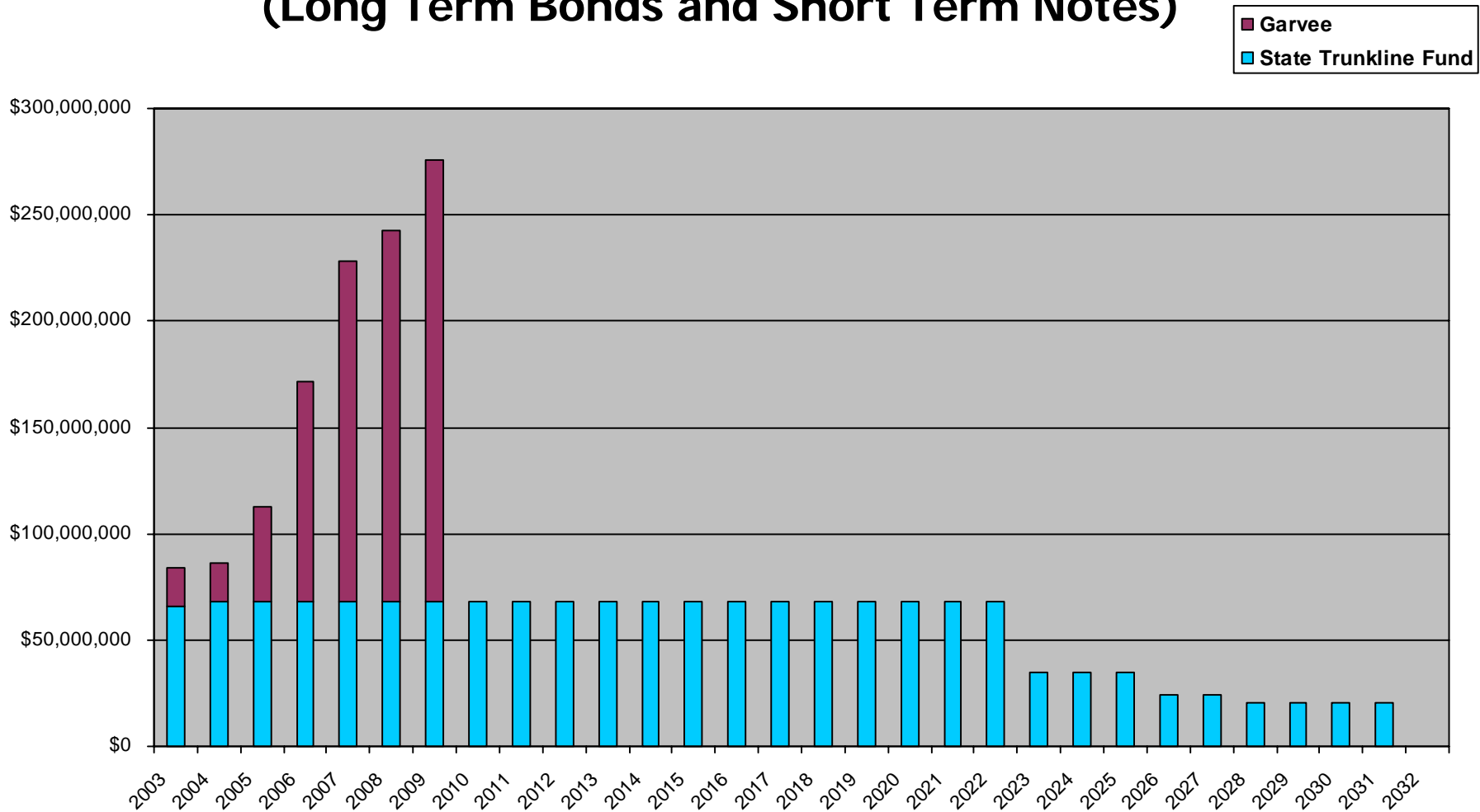
# Repayment Schedule of STF Short Term Notes - Principal & Interest (GARVEE Short Term Notes only)



\* Interest Rate - estimated at 3% for FY 03 & FY 04, estimated at 4% for FY 05 – FY 09

As of 09/30/03 per Debt Service Schedules

# Repayment Schedule of Garvee and State Trunkline Fund Debt Service (Long Term Bonds and Short Term Notes)



As of 09/30/03 per Debt Service Schedules

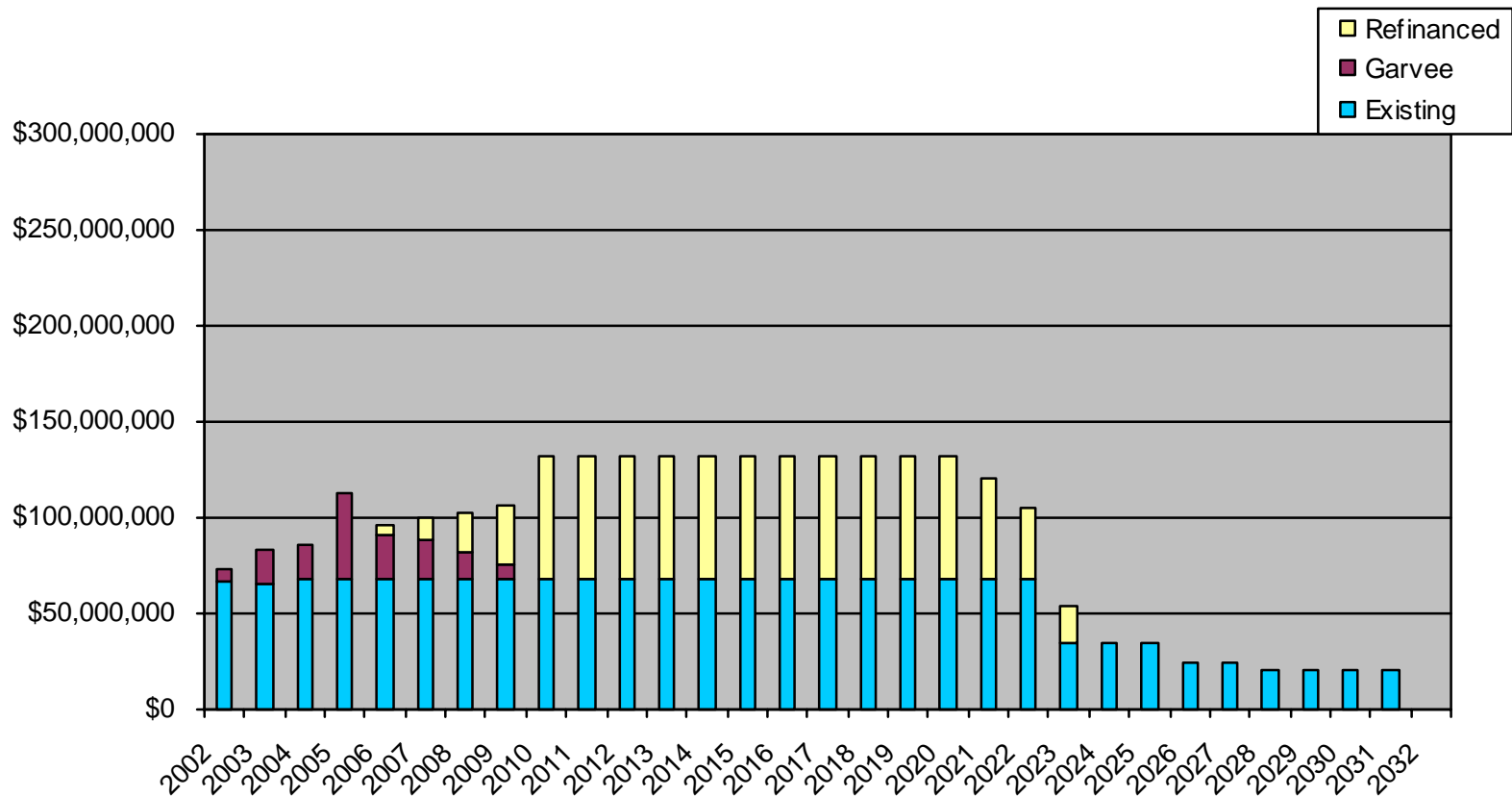


# Debt Management Options

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- Refinance Short Term Notes to Level Debt Service Payments
- New Federal Aid (reauthorization) to Pay Off Notes
- Refinance Short Term Notes to New Variable Rate Short Term Notes
- Pay Off Notes and Issue New Long Term Bonds to Support New Projects
- Refinance Short Term Notes to Variable Long Term Bonds

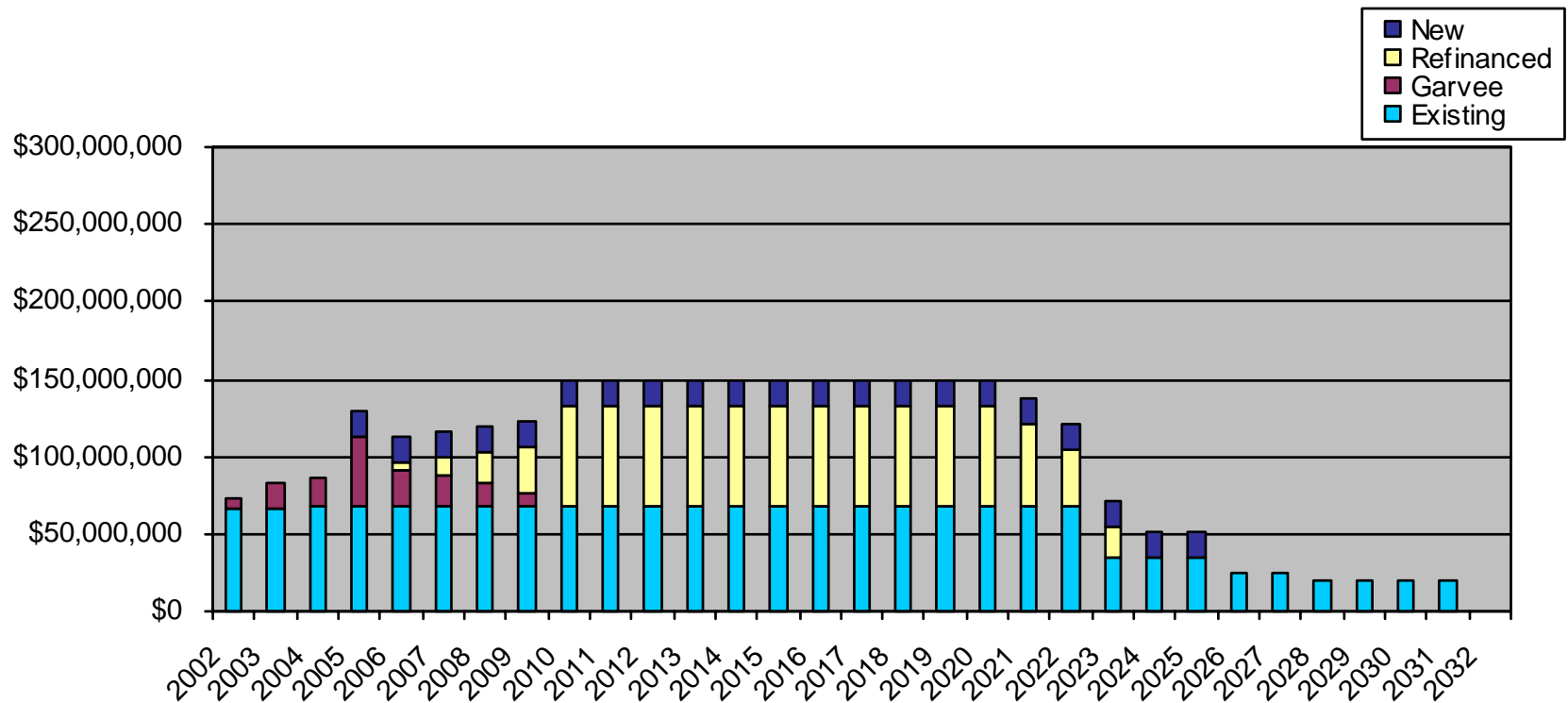
# One Possibility - State Trunkline Fund Debt Service with Refinanced Short Term Notes



Refinancing with 15 yr. 5% bonds, \$100M FY06, \$140M FY07, \$160M FY08, \$200M FY09.  
Principal repayment beginning FY2010.



# State Trunkline Fund Debt Service If Short Term Notes Refinanced and \$200 Million New Preserve First Bonds



Refinancing with 15 yr. 5% bonds, \$100M FY06, \$140M FY07, \$160M FY08, \$200M FY09. Principal repayment beginning FY2010.



# Upcoming Issues

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- Refunding STF Bond Issues
- \$200 Million Increased Capacity Projects
- \$260 Million Preserve First



# STF Bond Issues

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	Bond Series	Issue Date	Amount	New/Refund	Savings	Build Mich	Insured Bond Ratings	Uninsured Bond Ratings
■	1989A	12/13/89	\$135,779,509	New	n/a		n/a	A1/AA-
■	1992A	07/01/92	253,618,068	New	n/a	I	Aaa/AAA/AA-	A1/AA-
■	1992B-1	07/01/92	31,446,584	Refund			Aaa/AAA/AA-	A1/AA-
■	1992B-2	07/01/92	68,145,000	Refund			Aaa/AAA/AA-	A1/AA-
■	1994A	03/15/94	150,000,000	New	n/a	I	n/a	A1/AA-/AA-
■	1994B	03/15/94	90,990,000	Refund	5,993,973		Aaa/AAA/AAA	A1/AA-/AA-
■	1996A	11/01/96	54,500,000	New	n/a	I	n/a	A1/AA-/AA-
■	1998A	07/01/98	377,890,000	Refund	12,189,558		Aaa/AAA/AAA	Aa3/AA-/AA-
■	2001A	07/13/01	82,310,000	New	n/a	III	Aaa/AAA/AAA	Aa3/AA/AA-
■	2002	08/15/02	97,870,000	Refund	10,299,567		Aaa/AAA/AAA	Aa3/AA/AA-

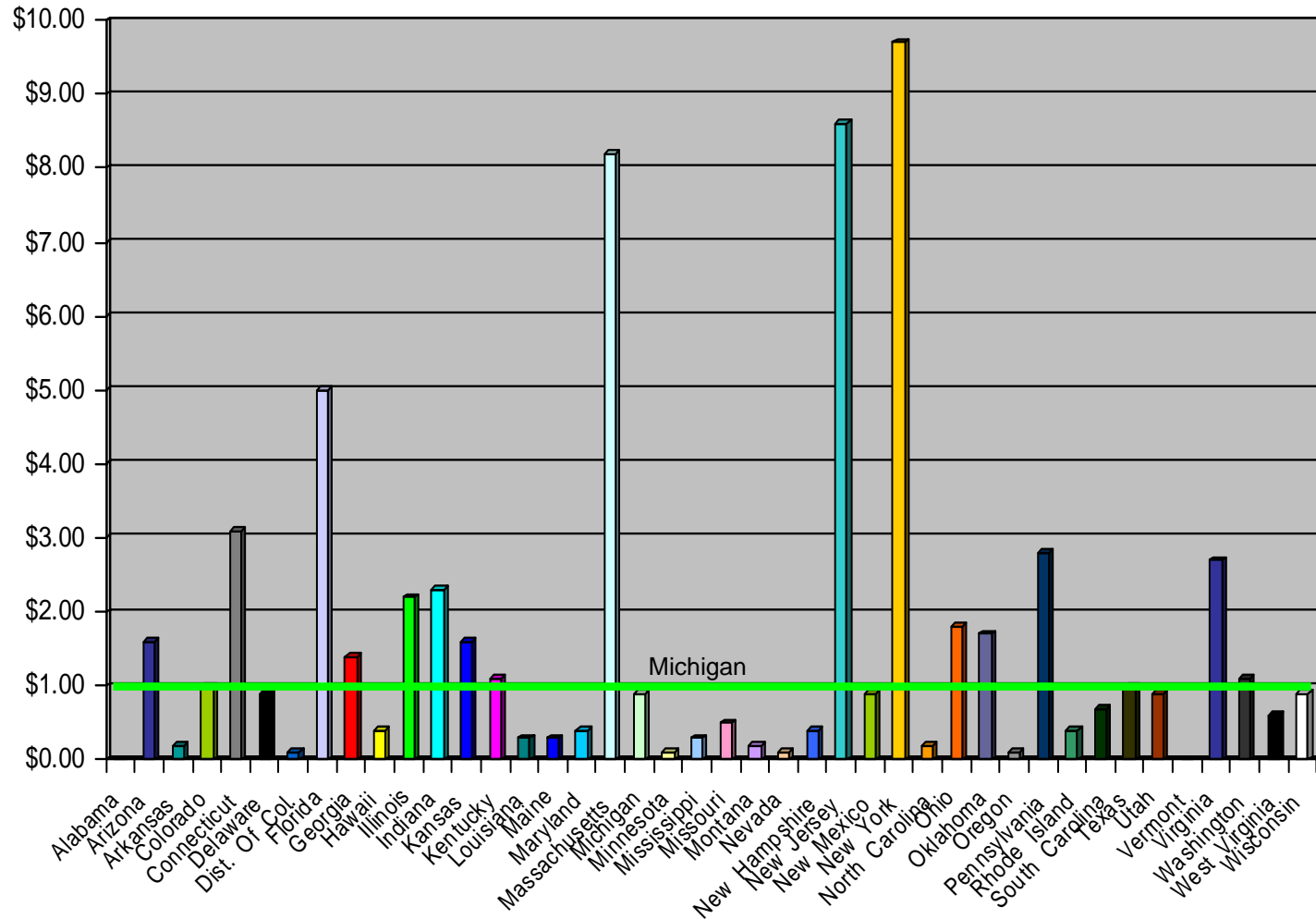


# Bond Ratings

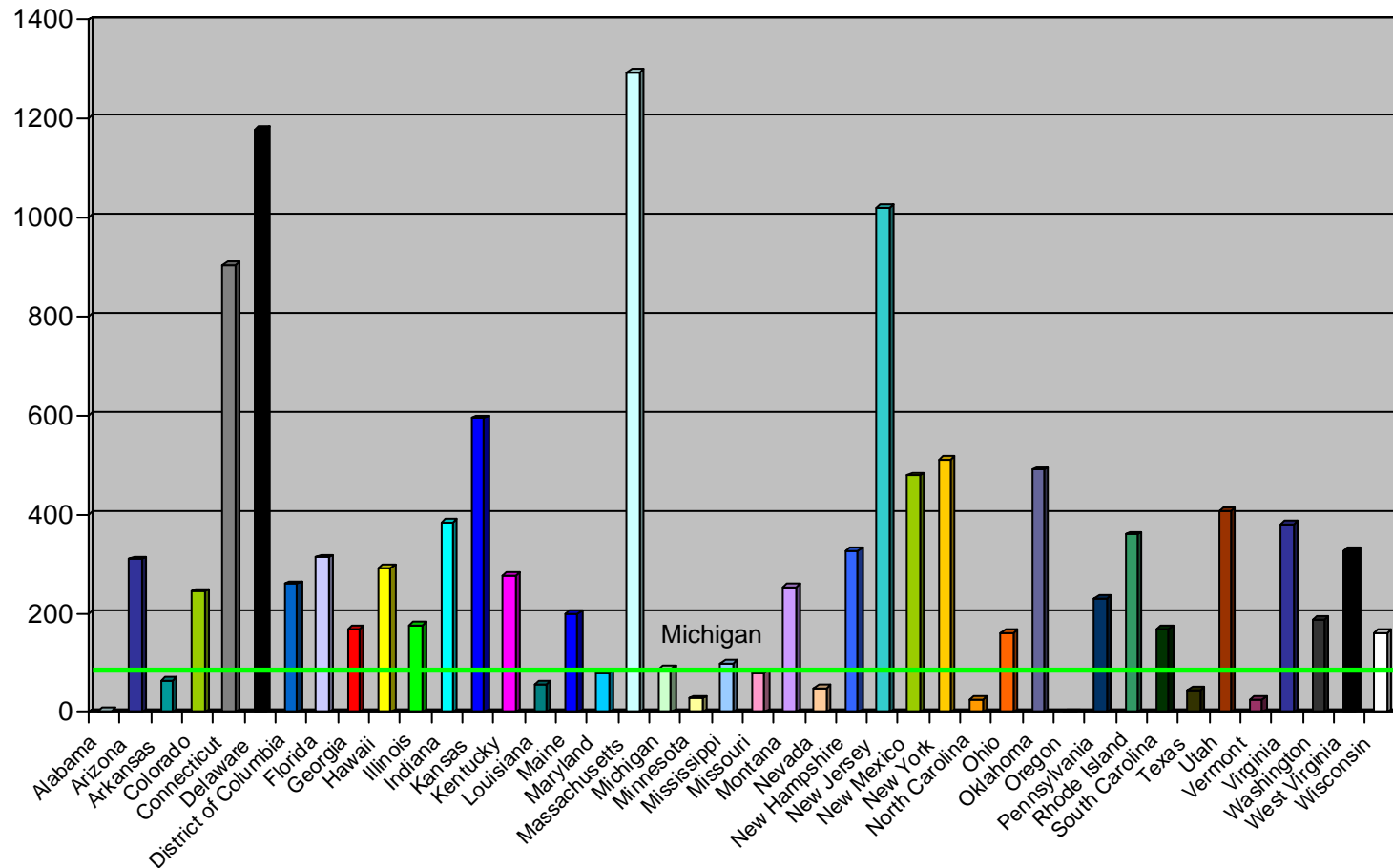
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- Three Rating Agencies
  - Moody's
  - S&P
  - Fitch
- Each have Five Bands of Ratings
- Ratings determine the Interest Rate
- MDOT is in the second highest band

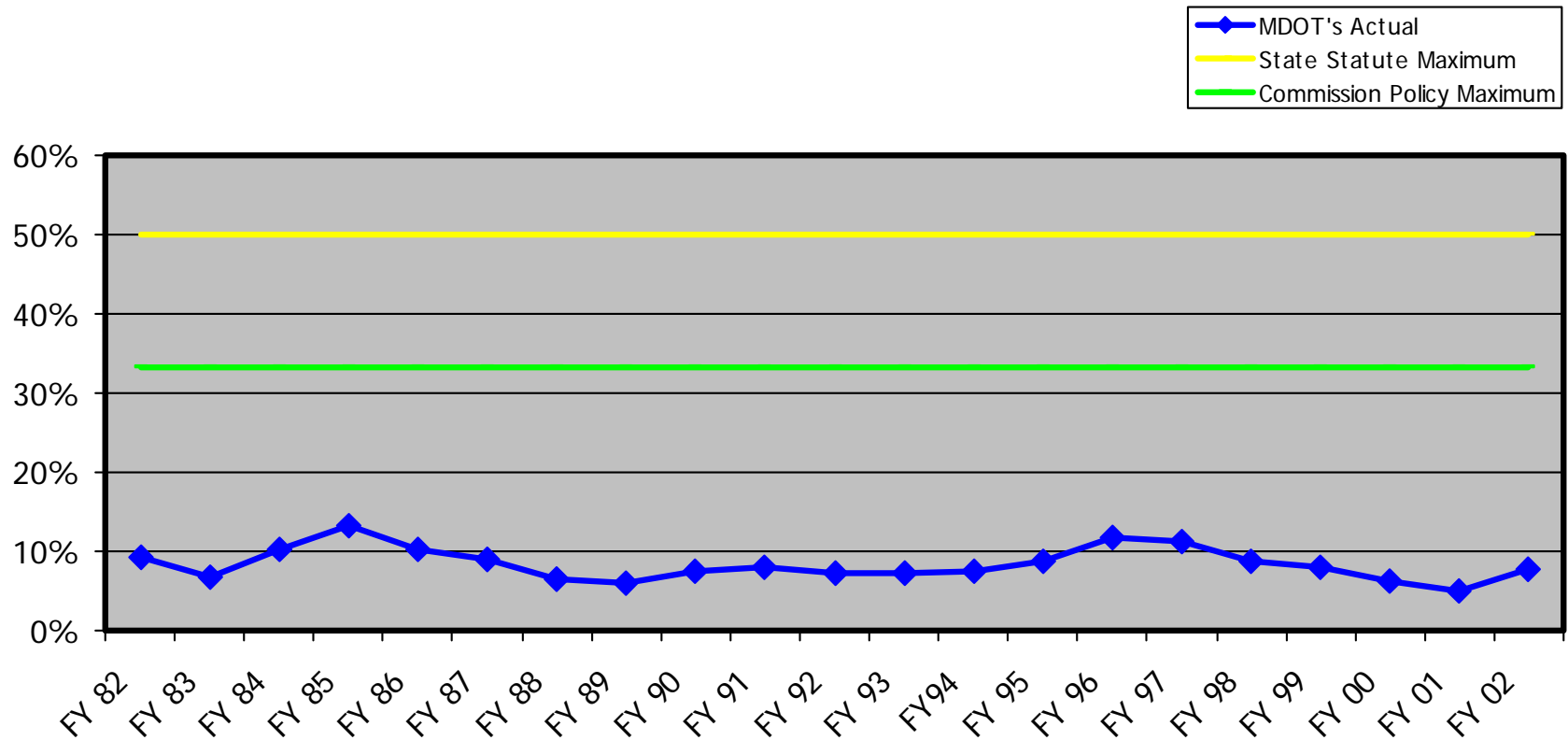
# 2001 Outstanding State Obligations for Highways (In billions)



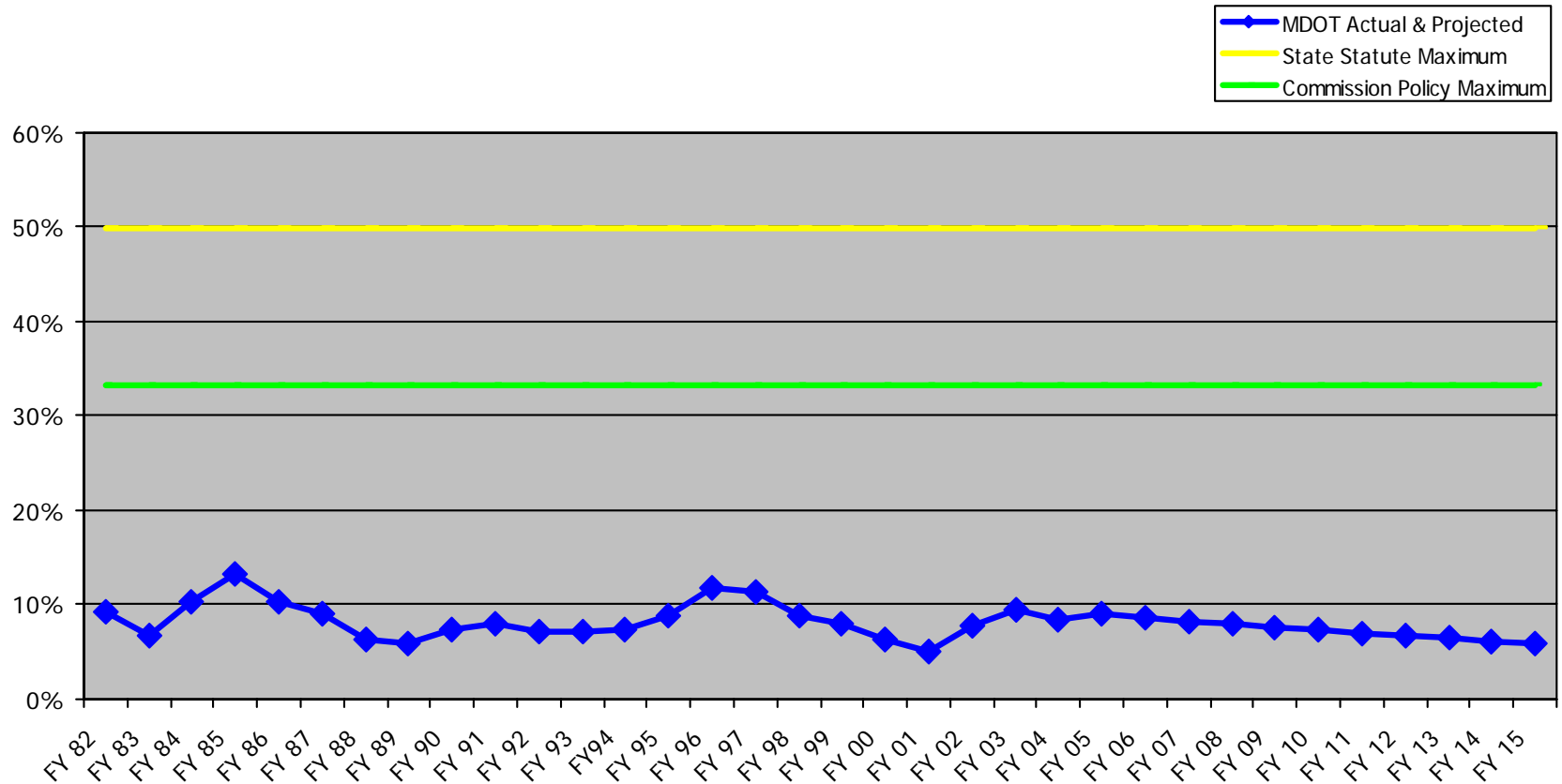
# 2001 Outstanding State Obligations per Capita



# Historical Percentage of Debt Payments to State Trunkline Fund Revenue (In millions)

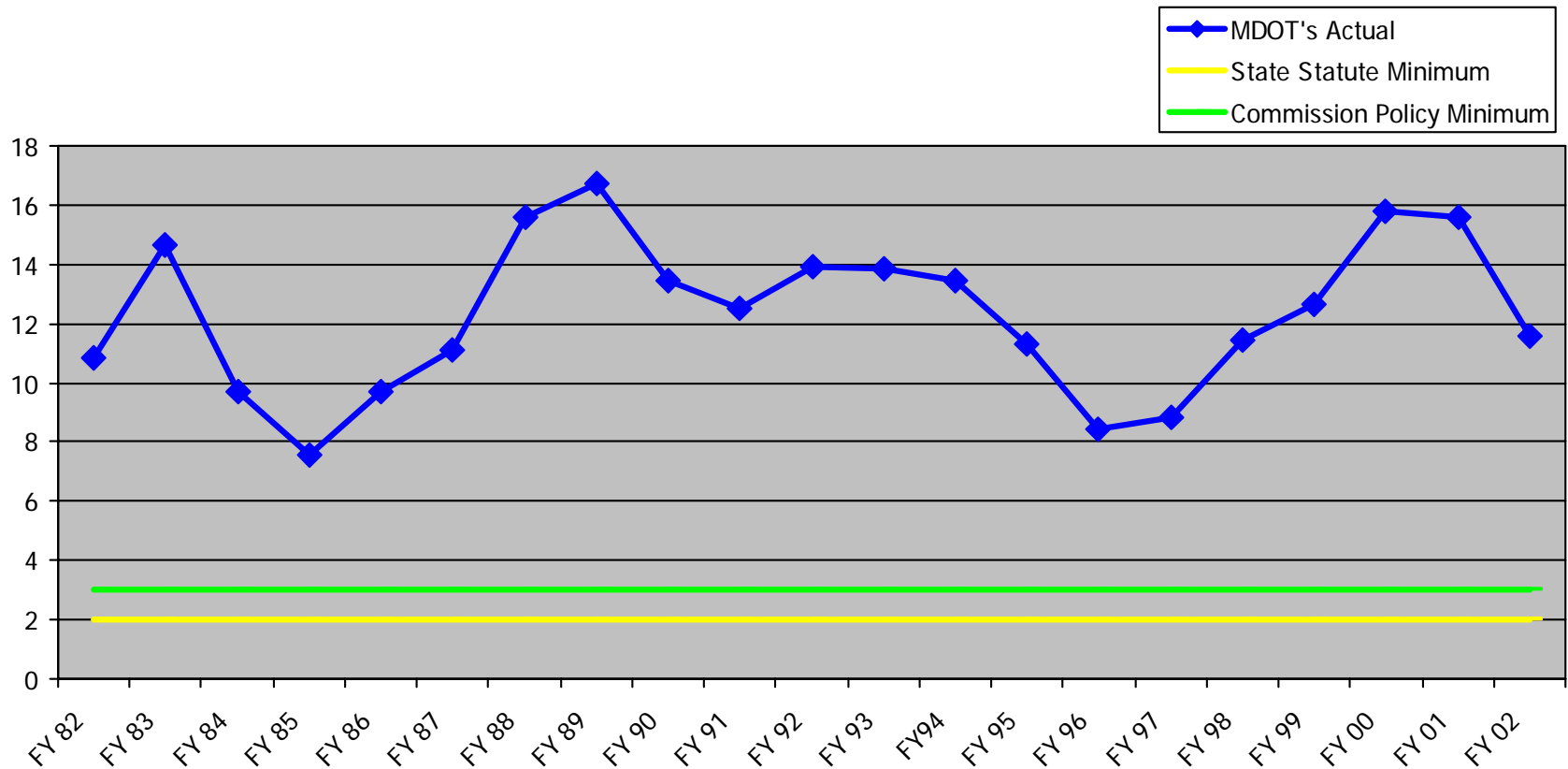


# Historical and Projected Percentage of Debt Payments to State Trunkline Fund Revenue (In millions)

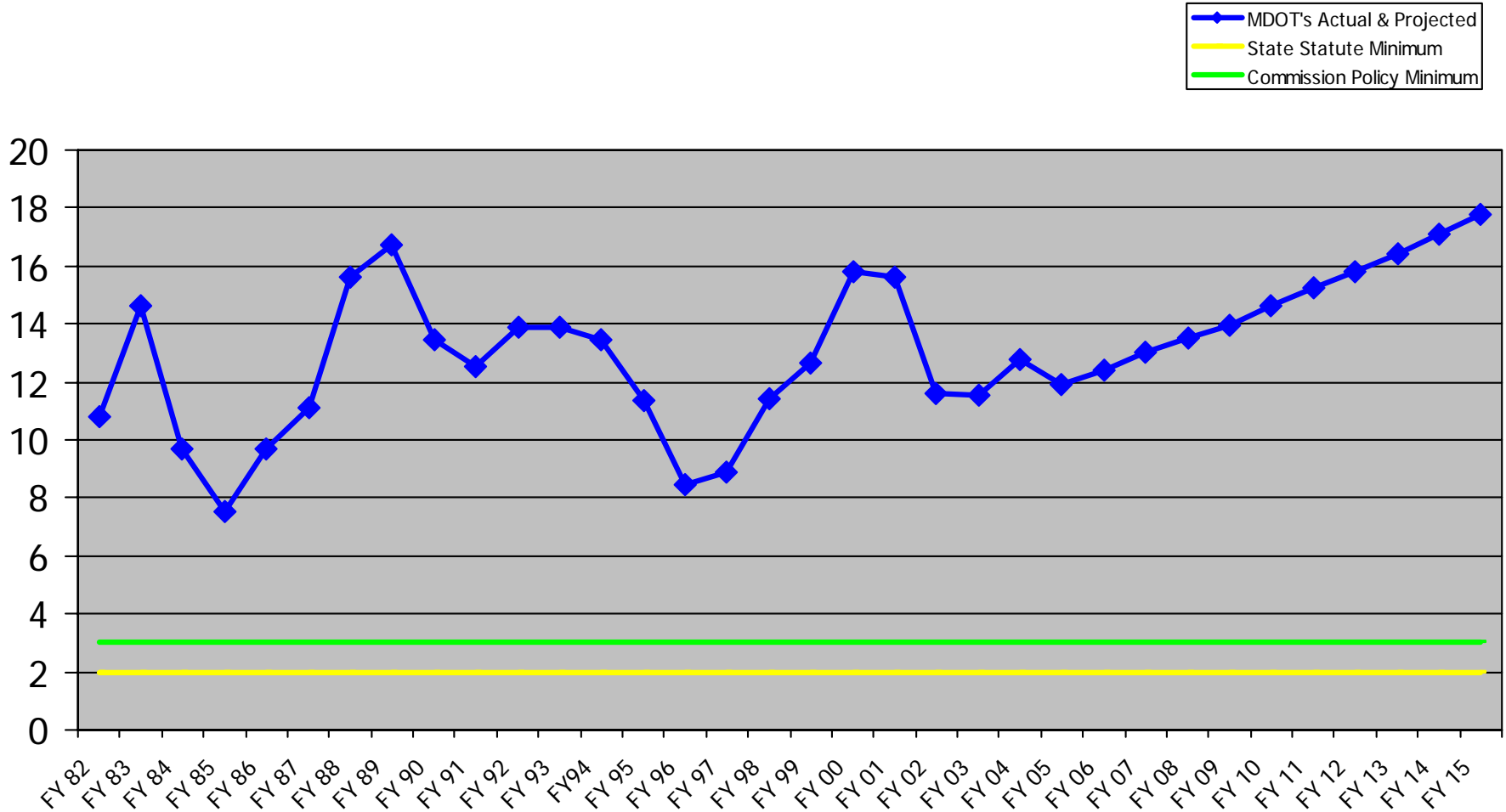




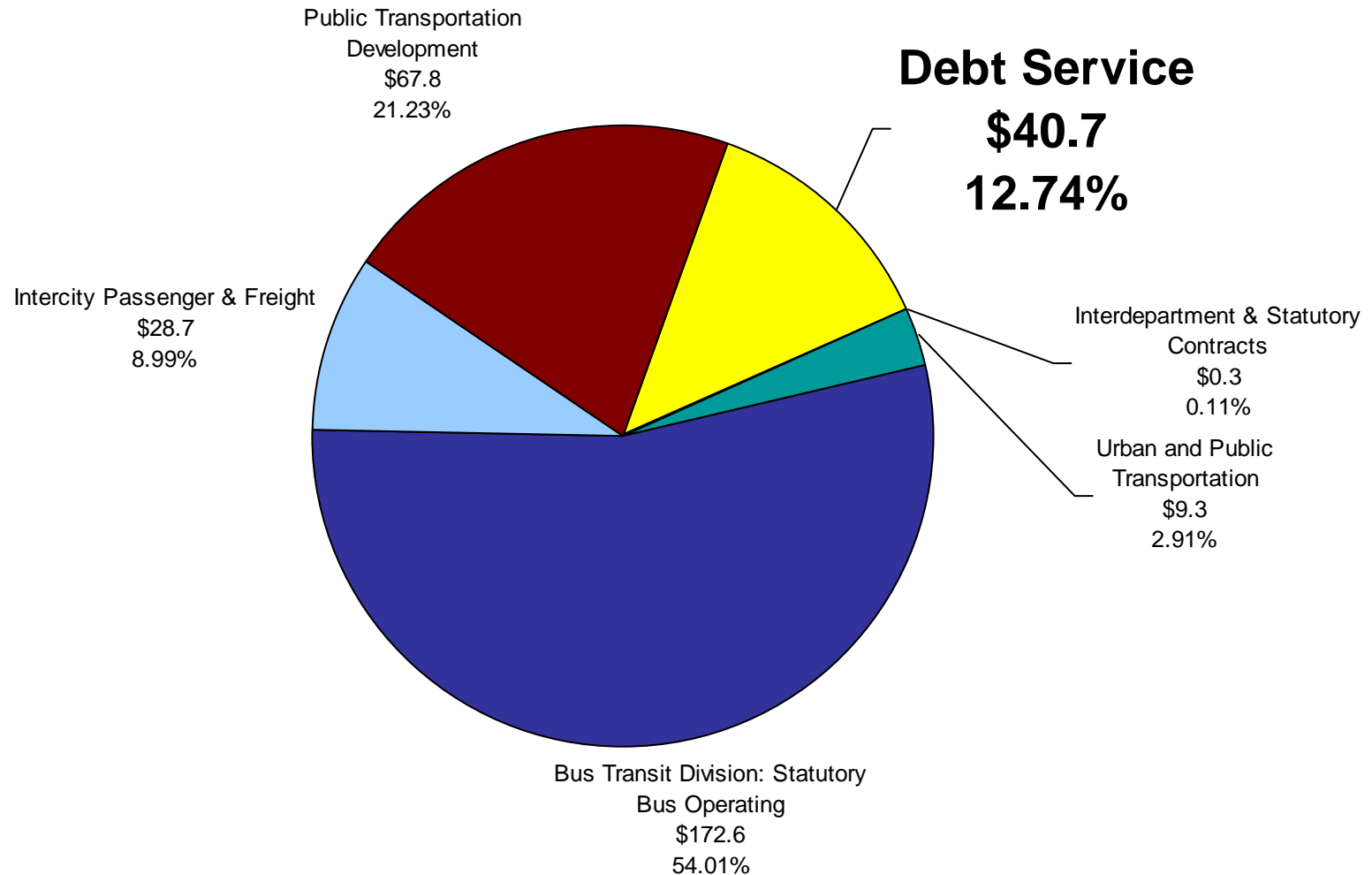
# Historical Debt Coverage Ratio State Trunkline Fund Related Bonds (In millions)



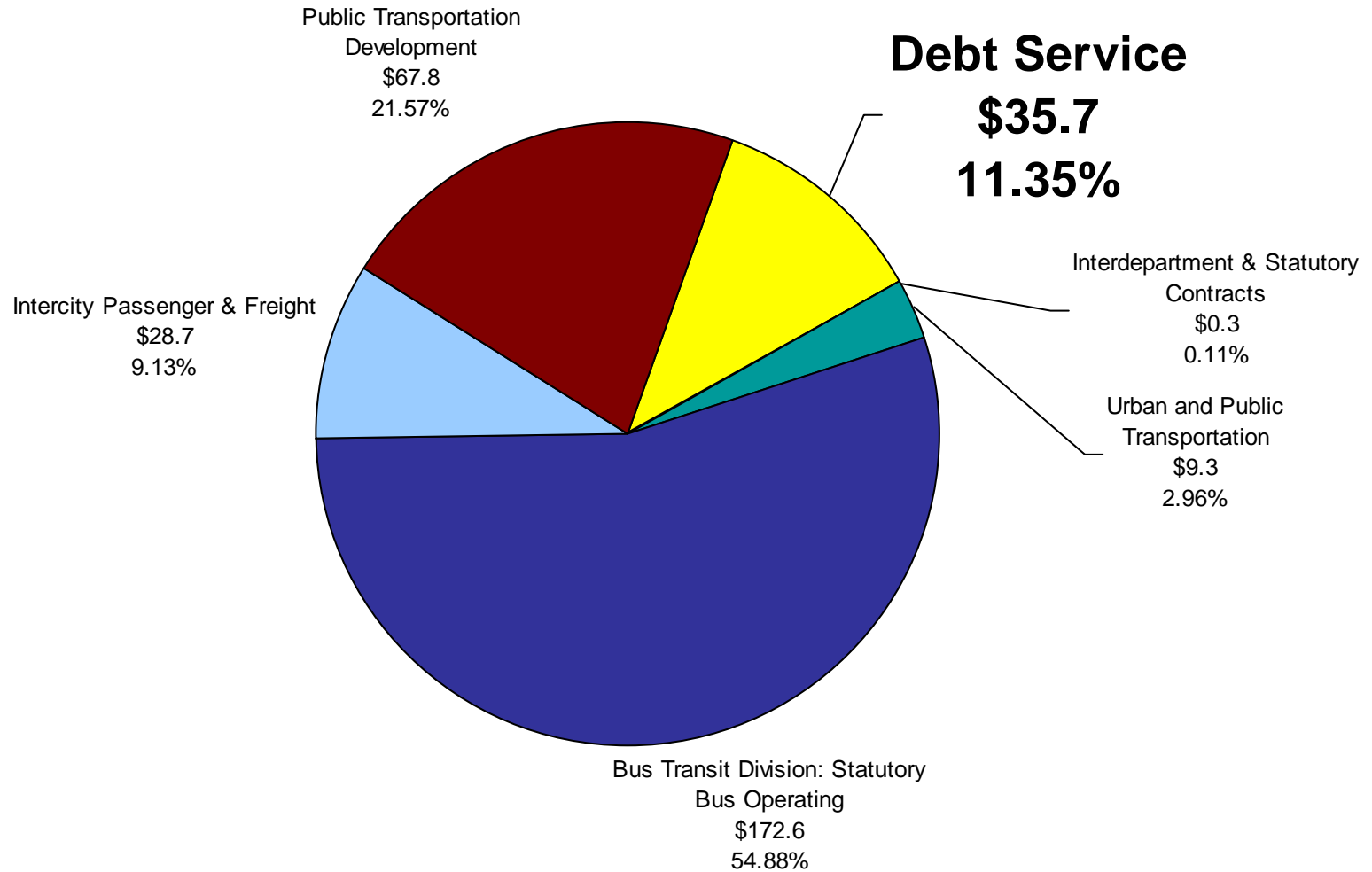
# Historical and Projected Debt Coverage Ratio State Trunkline Fund Related Bonds (In millions)



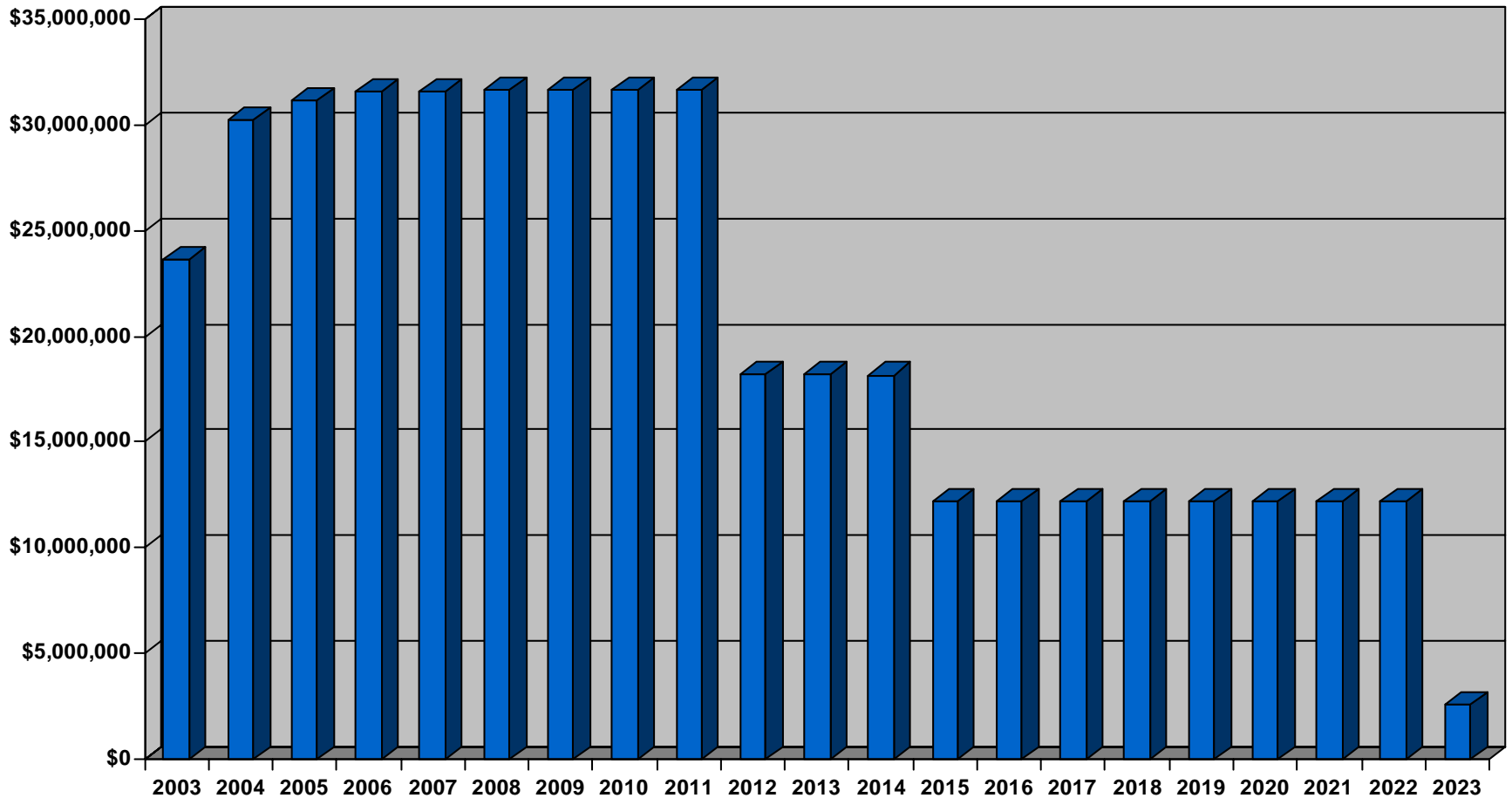
# Comprehensive Transportation Fund – FY 2004 Appropriations (In millions)



# Comprehensive Transportation Fund – FY 2004 Appropriations without Aeronautics Debt (In millions)



# Repayment Schedule of Comprehensive Transportation Fund Debt Service



As of 09/30/03 per Debt Service Schedules

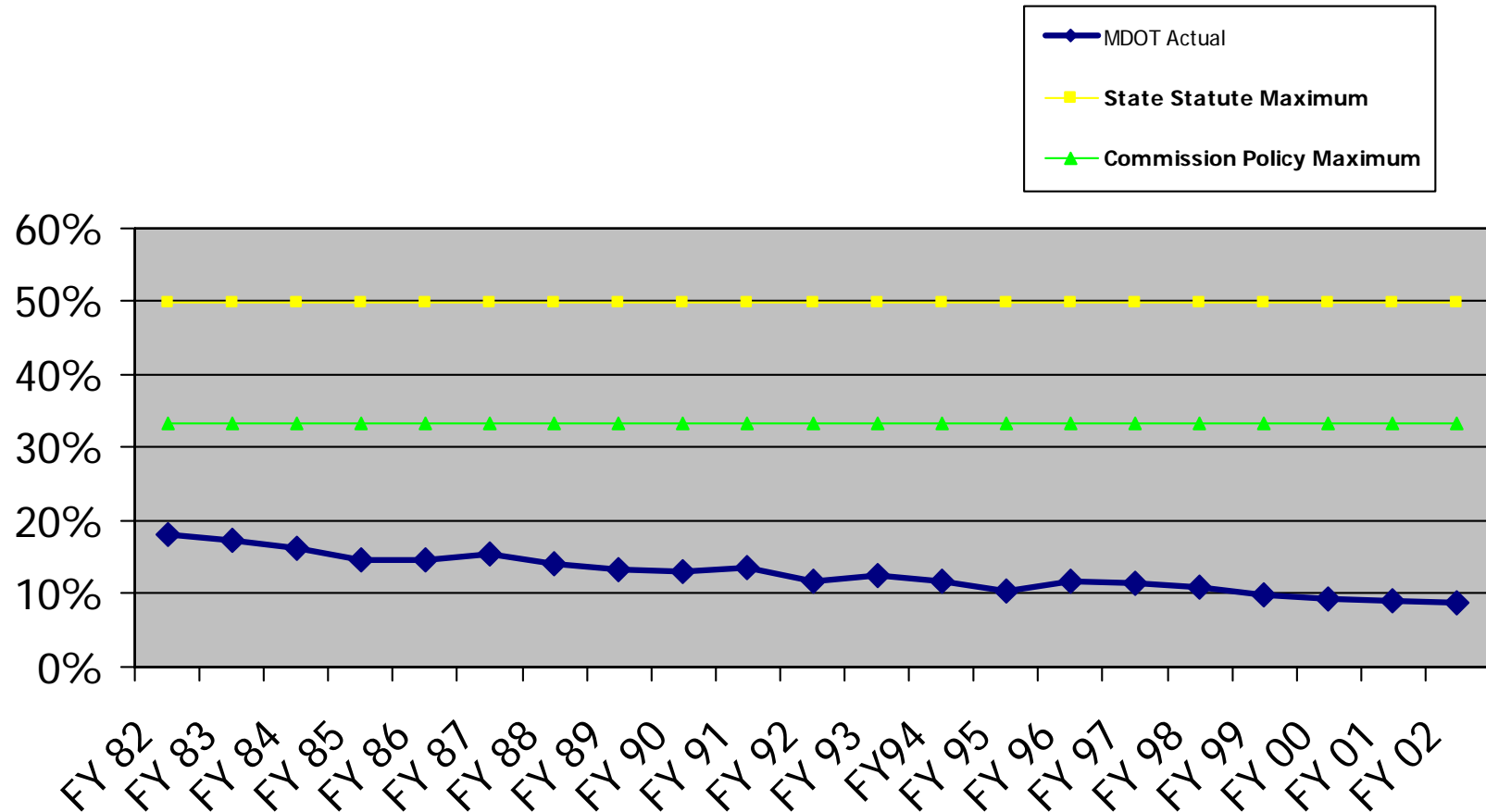


# CTF Bond Issues

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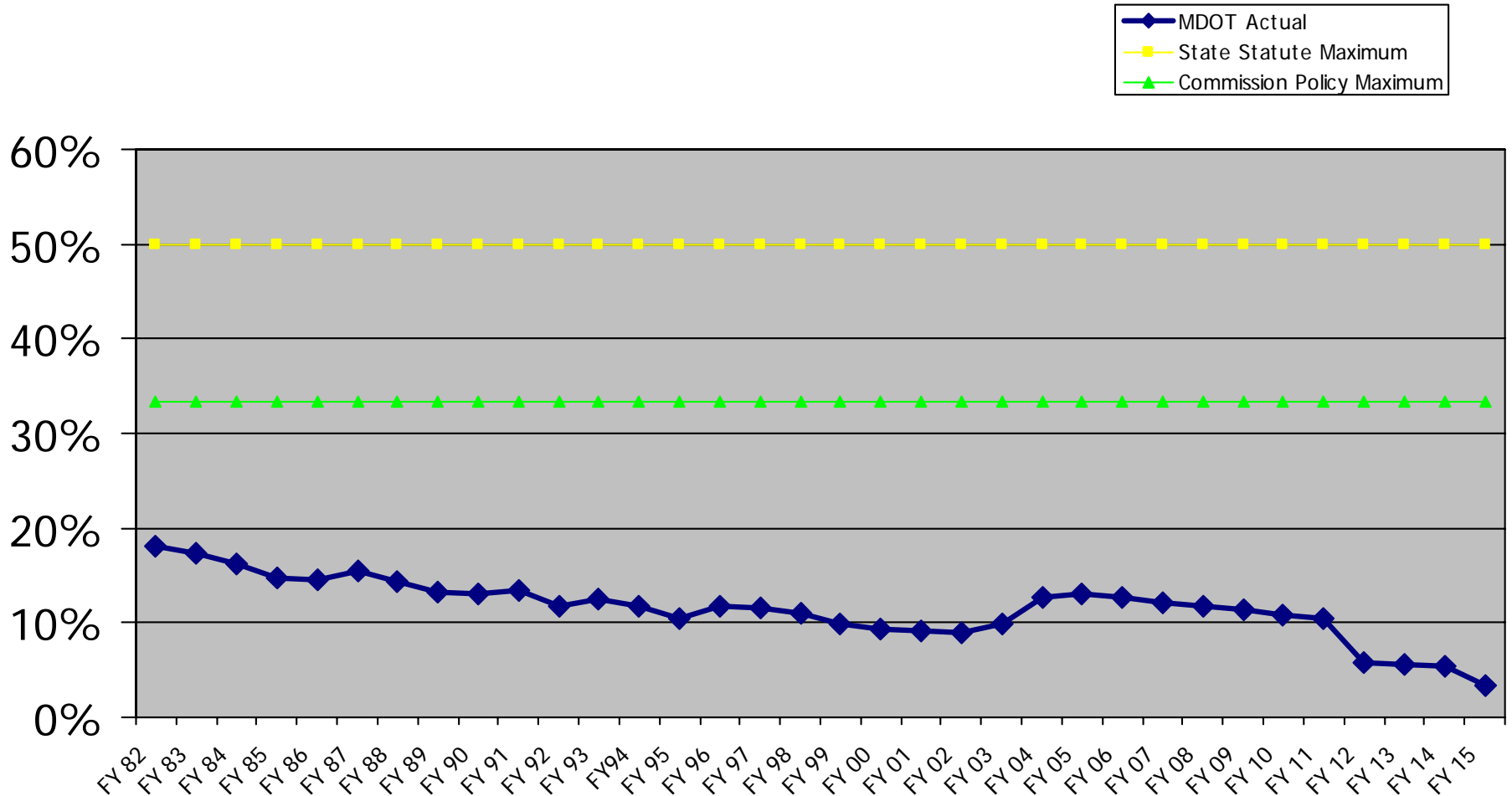
Bond Series	Issue Date	Amount	New/Refund	Savings	Insured Ratings	Uninsured Ratings
■ 1996A	12/15/96	\$ 22,650,000	Refund	\$ 613,874	n/a	Aaa/AAA
■ 1998A	05/15/98	38,640,000	Refund	8,929,247	n/a	Aaa/AAA/AAA
■ 2001A	07/13/01	27,765,000	Refund	1,914,664	Aaa/AAA/AAA	n/a
■ 2002A	05/02/02	89,620,000	Refund	8,007,312	Aaa/AAA/AAA	Aa3/AA/AA-
■ 2002B	08/15/02	82,310,000	New	n/a	Aaa/AAA/AAA	Aa3/AA/AA-
■ 2003	06/25/03	35,020,000	New	n/a	Aaa/AAA/AAA	n/a

# Historical Percentage of Debt Payments to CTF Revenue (In millions)



Source: SOMCAFR

# Historical and Projected Percentage of Debt Payments to CTF Revenue (In millions)



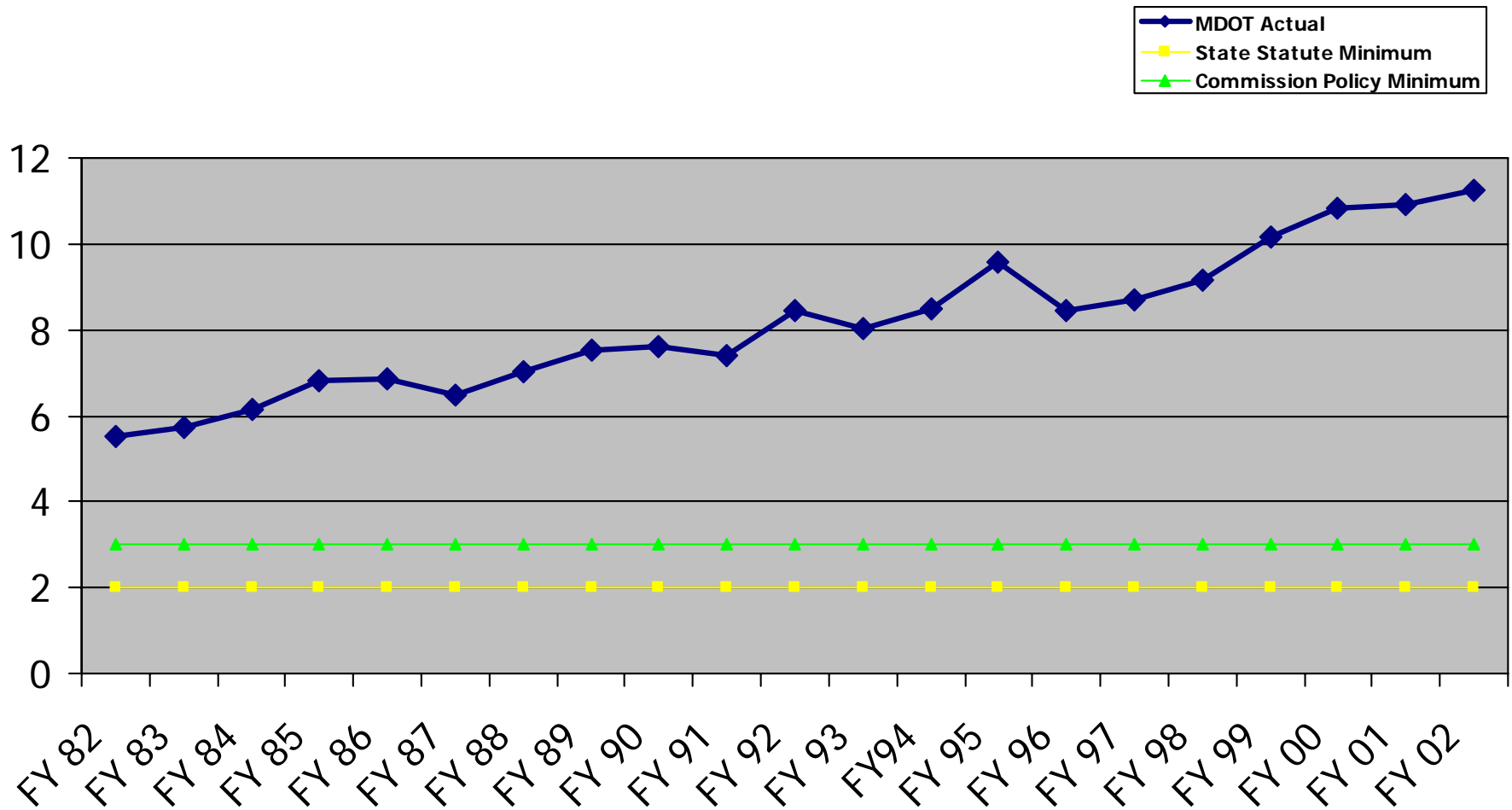
Source: SOMCAFR and Hayes Report



# Historical Debt Coverage Ratio

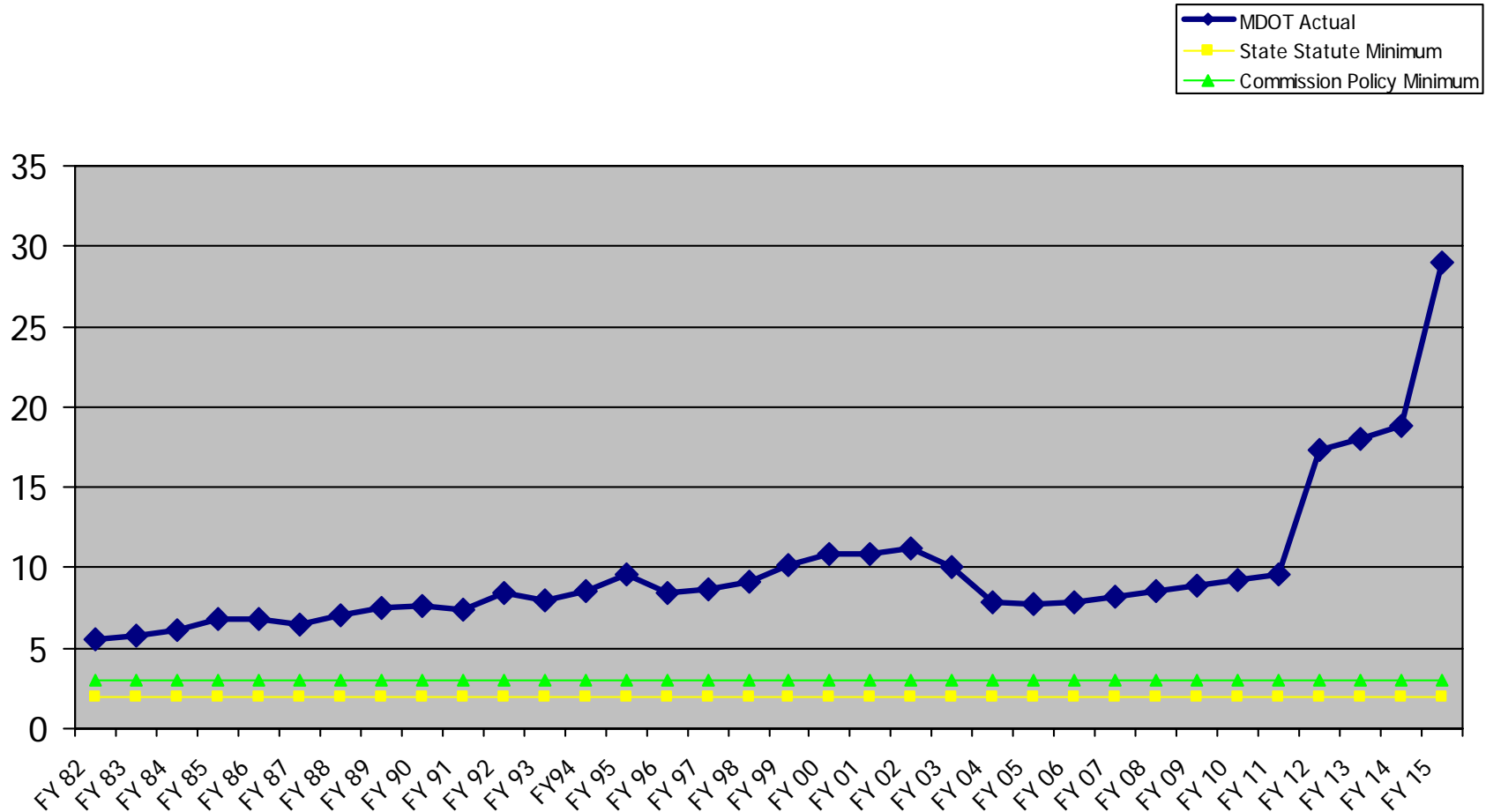
## CTF Related Bonds

(In millions)



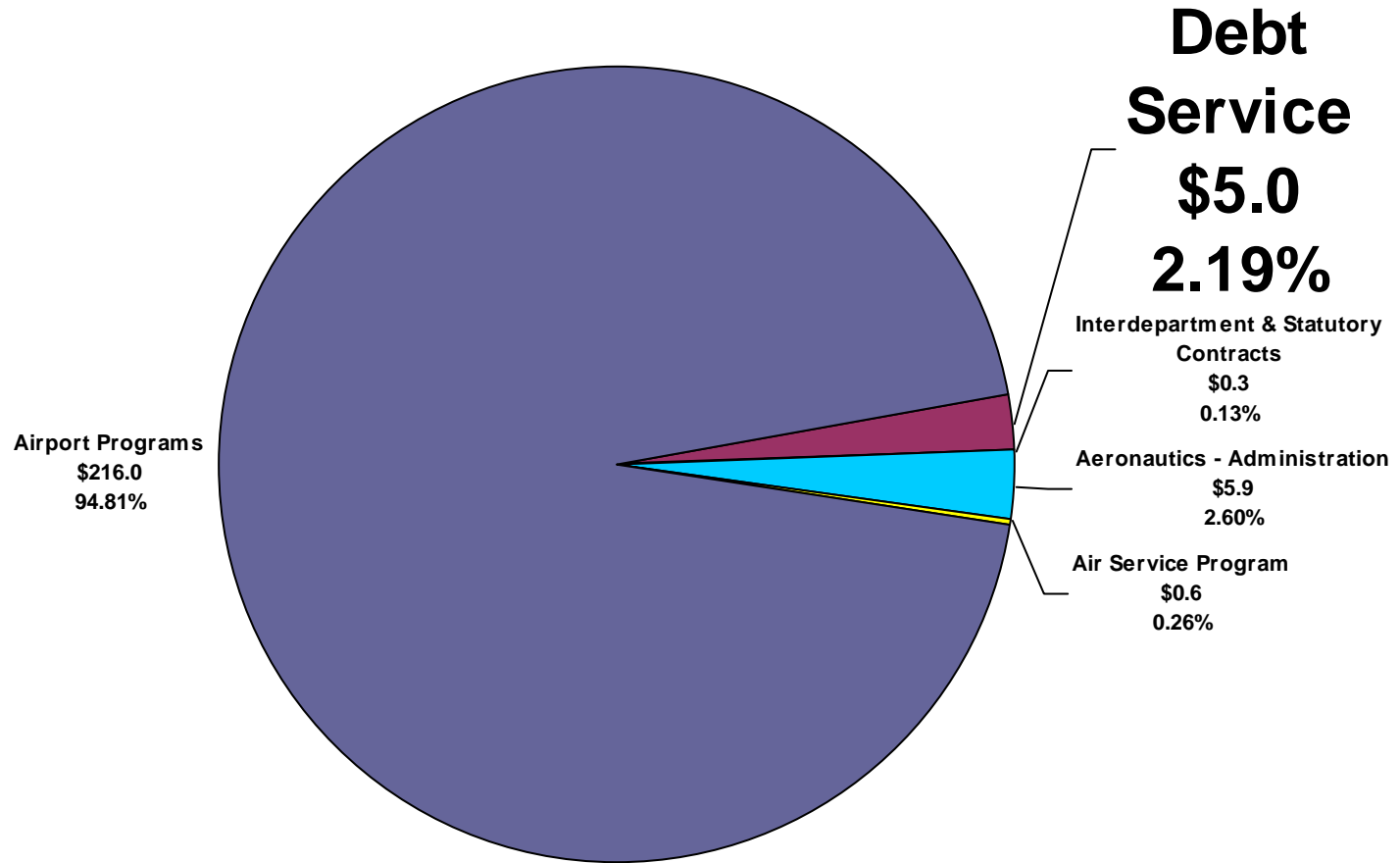
Source: SOMCAFR

# Historical and Projected Debt Coverage Ratio CTF Related Bonds (In millions)



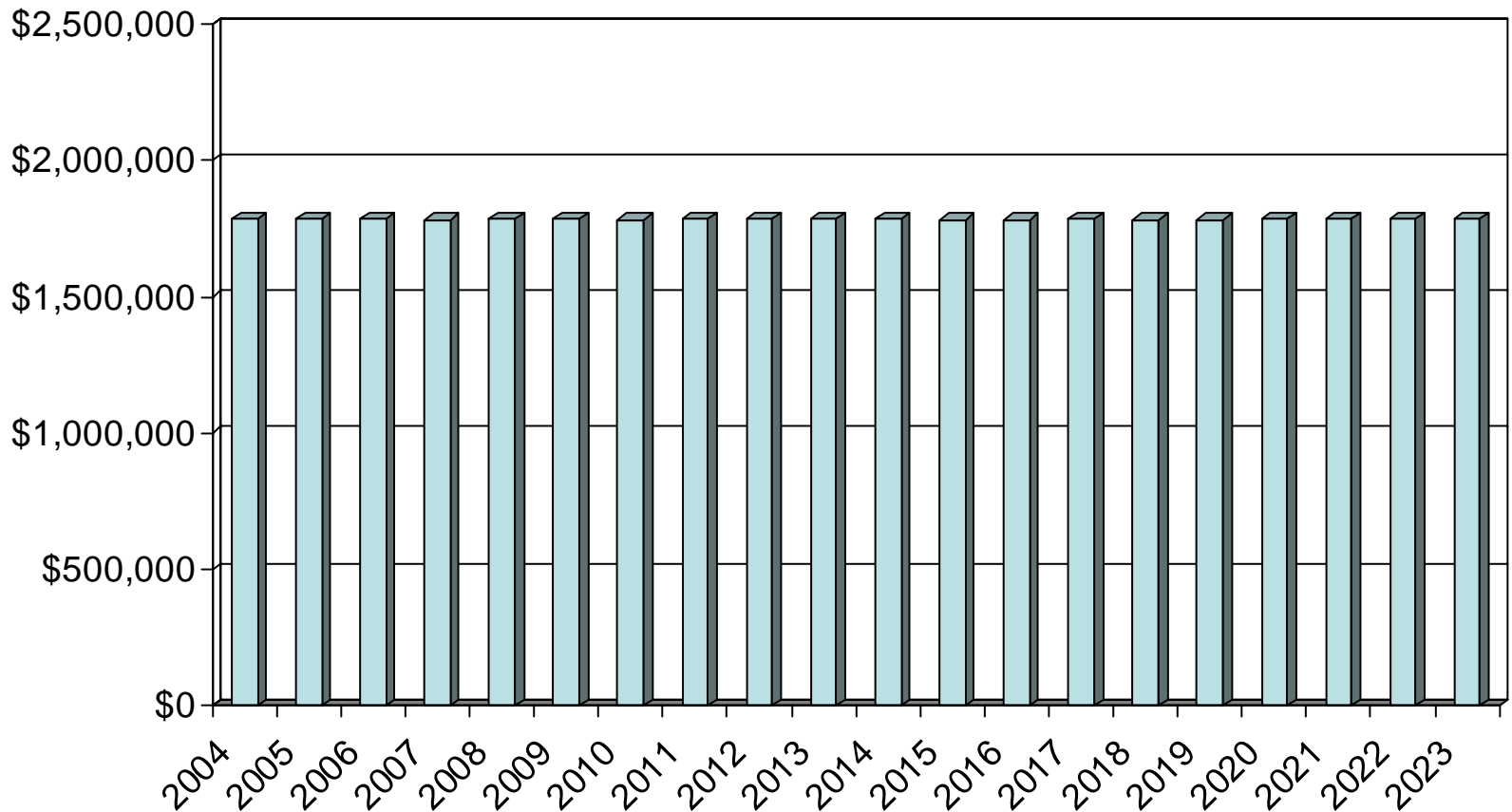
Source: SOMCAFR and Hayes Report

# Aeronautics – FY 2004 Appropriations (In millions)



Includes proposed FY 2004 Capital Outlay Appropriations

# Repayment Schedule of Aeronautics Debt Service





# Questions

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# Financial Strategy Development



# Developing the Finance Strategy of MDOT

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- Joint Effort of:
  - Finance
  - Planning
  - All Program Areas
- Challenges
  - Match Estimated Revenue to Anticipated Needs
  - Acquire More Revenue for Transportation



# Developing the Finance Strategy of MDOT

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- Revenue -

- State – Work with Treasury during Revenue Consensus Estimating Process
- Federal – Working with Washington to get more Dollars Back to meet Michigan's needs
- Bonding – Valuable Tool When Current Revenues Fall Short of Needs





# Developing the Finance Strategy of MDOT

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- Three Major Types of Debt
  - STF – Long Term Bonds
  - CTF – Long Term Bonds (Including Aeronautics Bonds)
  - GARVEE – Short Term Notes
- Reasonable Amount of Debt
- Good Debt Management Strategy
- Experienced Team



# Financial Strategy Team

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- Consultants
  - Peter Kessenich, Managing Director, Public Financial Management
  - James Bliss, Dickinson Wright PLLC
  - Jerry Rupley, Miller, Canfield, Paddock and Stone, PLC
- Other State Agencies
  - Chester Lewis & Molly Jason, Assistant Attorney Generals
  - Joe Fielek, Director Cash & Debt Management, Michigan Department of Treasury
- MDOT
  - Leon Hank, Chief Administrative Officer
  - Myron Frierson, Bureau Director, Finance and Administration
  - Edward Timpf, Administrator, Financial Operations Division
  - Susan Mortel, Bureau Director, Transportation Planning
  - Denise Jackson, Administrator, Statewide Transportation Planning Division
  - Polly Kent, Administrator, Policy Division
  - Rob Abent, Bureau Director, Multi Modal Transportation Services



# Combined Experience

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- MDOT's Financial Executive Leadership Team
- More than 100 Years of Diverse State Leadership Experience
- Close Ties with Treasury, DMB and the Budget Office
- Outstanding Finance Staff Supporting the Department
- Unique Qualifications in State Government and within the 50 States



# MDOT Coordination

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- Finance & Planning meet weekly to discuss project funding, obligating federal aid, federal aid issues
- Executive Management meets monthly to discuss balance of expected revenue to program size
- Executive Management meets periodically to discuss cash flow



# Summary

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- Challenge to Match Estimated Revenue to Anticipated Needs
  - We meet this challenge
  - We have an experienced team to act
  - We have financially constrained programs
- Challenge to Acquire More Revenue for Transportation
  - Ongoing Efforts in Washington



# Questions

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